DOCUMENT RESUME

ED 214 268 EA 014 494

TITLE The Report and Recommendations of the New York State Special Task Force on Equity and Excellence in Education. Volume Two.
INSTITUTION New York State Special Task Force on Equity and Excellence in Education.
PUB DATE Feb 82
NOTE 100p.

EDRS PRICE MF01/PC04 Plus Postage.
DESCRIPTORS Costs; *Educational Finance; Educational Needs; Elementary Secondary Education; *Equalization Aid; Finance Reform; *Fiscal Capacity; Preschool Education; Rural Schools; School Districts; *State Aid; *Student Needs; Tax Effort
IDENTIFIERS *Equity (Education); Municipal Overburden; *New York; State Aid Formulas

ABSTRACT

In light of the Levittown v. Nyquist decision, which found New York State's educational funding method unconstitutional, this report presents the recommendations for increasing New York's educational equity made by a statewide task force. For each of 27 proposals that garnered support from any task force member, the report discusses research findings, equity considerations, fiscal implications, and alternative proposals. The proposals are grouped under four general topics: the structure of the state's basic aid formula, students' educational needs, local fiscal capacity, and fiscal overburdens. The ten proposals about the basic aid formula concern the expenditure ceiling, the relationship of state aid to local spending, local fiscal effort, exceptions to the formula, methods of measuring enrollment, and alternative financing structures. Under student needs, the task force recommends relating educational funding to such special needs as language ability, handicaps, and giftedness. Fiscal capacity proposals involve adding income to wealth as a measure of local capacity. Recommendations on overburdens cover municipal and rural overburden and the problems of varying educational costs. Included for each topic are task force members' statements and a record of their vote on each proposal. (RW)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☐ This document has been reproduced as received from the person or organization originating it.

☒ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

R. Trombly

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

ED214268

The Report and Recommendations of

The New York State Special Task Force on Equity and Excellence in Education

February 1982

EA 014 494

Volume Two

NEW YORK STATE SPECIAL TASK FORCE ON EQUITY AND EXCELLENCE IN EDUCATION

CHAIRMAN

Max J. Rubin
Rubin, Baum, Levin, Constant and Friedman

VICE CHAIRMAN

Raymond T. Schuler, President
The Business Council of New York State, Inc.

MEMBERS

Susan Amlung, Former Director of State Finances
New York State League of Women Voters

Martin C. Barell, Board of Regents
The University of the State of New York

William S. Barr, Vice President
Chemical Bank

Wyoma I. Best, Vice President, Program and Communications, Rochester Area Chamber of Commerce

Reverend Vincent D. Breen, Superintendent of Schools, Diocese of Brooklyn

Raymond R. Corbett, President
New York State AFL-CIO

Alfred B. DelBello
Westchester County Executive

Hazel Dukes, President
New York State Conference of Branches
National Association for the Advancement of Colored People

Henrik Dullea, Senior Fellow
Rockefeller Institute of Government,
State University of New York

Irving H. Freedman,
Assistant to the Governor for Education and the Arts

Willard A. Genrich, Chancellor
Board of Regents,
The University of the State of New York

George Gerber, Chairman
Temporary Commission on the Real Property Tax

Edward F. Gray, Director
Region 9, United Automobile Workers

James Griffin
Mayor of the City of Buffalo

John W. Hannon, Jr., President
Bankers Trust Company
Official Representative:
Nancy S. Ticktin, Vice President
Bankers Trust Company

Thomas Y. Hobart, Jr., President
New York State United Teachers

John V.N. Klein, Esq.
Partner,
Suozzi, English and Cianciulli

C. Mark Lawton, Director
State Division of the Budget

Frank J. Macchiarola, Chancellor
New York City Board of Education

Joseph Manch
Former Superintendent of Schools, Buffalo

Richard McGuire, President
New York Farm Bureau

Howard F. Miller, Former Director
State Division of the Budget

Edward J. Murphy, District Superintendent
3rd Supervisory District, Suffolk County
BOCES III

Milton L. Reynolds, Past President
New York State School Boards

Edwin J. Robisch, Senior Partner
Robisch & Moore Associates
(Past President, New York Educators Association)

Eugene C. Samter, Executive Director
Conference of Large City Boards of Education

Dr. Alvin I. Schiff, Executive Vice President
Board of Jewish Education of Greater New York

Albert Shanker, President
United Federation of Teachers

Corinne W. Stork, Treasurer
Beaumont and Stork, Inc.
(Former Director, N.Y.S. School Boards Assoc.)

Eris Thompson, Past President
New York State Congress of Parents and Teachers, Inc.

Magdalena Torres, District Manager
Hispanic Affairs, New York Telephone Company

Henry Viscardi, Jr., President Emeritus
Human Resources Center

INACTIVE MEMBERS

Edward J. Fitzsimmons, Carrier Corporation
Alfred J. Libous, City of Binghamton
John B. Rettaliata, Grumman Corporation
James H. Swanton, Lincoln First Bank of Rochester

RESIGNED

R. Quintus Anderson, Aarque Steel Corporation

DECEASED

Brenda Fraser, Rochester Board of Education

NEW YORK STATE SPECIAL TASK FORCE ON EQUITY AND EXCELLENCE IN EDUCATION

STAFF

Amy Plumer, Staff Director
Nancy M. Gaeta, Director of Policy Analysis
Mili Newbury Ebbin, Administrative Officer
Gemma Yamamoto, Administrative Assistant

FORMER STAFF

Ralph Bohrson, Staff Director
Naomi Danzig, Administrative Officer

RESEARCH STAFF

Education Commission of the States, Program Division
Allan Odden, Director
Robert Palaich, Political Scientist, Education Finance Center
E. Kathleen Adams, Economist, Education Finance Center
R. Dale Hickam, Political Scientist and New York State Research Liaison, Education Finance Center
Wayne Wendling, Economist, Education Finance Center

RESEARCH CONSULTANTS

Columbia University, Teachers College
Glenn S. Pasanen

Cornell University, New York State College of Agriculture and Life Sciences
David H. Monk
Kenneth A. Strike
Frederick H. Stutz

deSeve Economics Associates, Inc.
Charles W. deSeve, President
Peter H. Birckmayer

New York State, Division of the Budget
Lois Wilson, Assistant Chief Budget Examiner
Joan Gavrilik, Education Aid Program Specialist

New York State Education Department
Robert Lamitie, Administrator, Educational Finance Research Services
James Gaughan, Associate in Education Planning
Richard Glasheen, Assistant in School Finance Research
John W. Polley, Retired Acting Deputy Commissioner of Education
James E. Shea, Supervisor of Gifted and Talented Education

New York University Graduate School of Public Administration
Robert Berne
Leanna Stiefel

Syracuse University, Metropolitan Studies Center
Jerry Miner
Seymour Sacks

The Report and Recommendations

of

The New York State Special Task Force

on

Equity and Excellence in Education

VOLUME TWO

February, 1982

TABLE OF CONTENTS

	Page #
VOLUME TWO	
INTRODUCTION	1
I. BASIC FORMULA STRUCTURE	2
Recommendations and Proposals	
1. Setting the Expenditure Ceiling	4
2. Relationship of Local Spending to Aid	7
Local Fiscal Behavior	
3. Minimum Effort Requirements	10
3a. Sanctions for Enforcement	12
4. Maintenance of Effort	14
5. Curbs on Spending	15
Exceptions to the Equalizing Formula	
6. Flat Grants and Minimum Aid Guarantees	18
7. Save Harmless	21
8. Declining Enrollments	24
Pupil Count	
9. Enrollment vs. Attendance	27
Alternative Finance Structure	
10. County Wealth Sharing	29
Members' Statements	32
Voting Tally	36
II. STUDENT NEEDS	39
Recommendations and Proposals	
1. Pupils with Special Needs and Limited English Ability	40
2. Concentrations	42
3. State Aid for the Handicapped	43
4. Single or Dual Formulas for Handicapped	46
5. Grade Weightings	47
6. Primary Education	48
7. Secondary Education	49
8. Pre-Kindergarten Education	50
9. Gifted and Talented Education	51
Members' Statements	53
Voting Tally	54
III. FISCAL CAPACITY	56
Recommendations and Proposals	
1. Use of Income, General	57
2. Use of Income, Method	60
3. Use of Income, Extent	62
4. Denominators	63
Members' Statements	67
Voting Tally	69

TABLE OF CONTENTS

Page #

VOLUME TWO

IV. OVERBURDENS 71

1. Municipal Overburden, General 71
2. Municipal Overburden, Qualifying Districts 75
3. Cost Factors 77
4. Rural Overburden 81

Members' Statements 84
Voting Tally 91

VOLUME ONE

Letter of Transmittal
Summary of Recommendations
Introduction
Summary of Research

VOLUME THREE

Alternative School Finance Packages, Costs and Implementation
Non-Operating Aid Formulas: Transportation, Building and BOCES Aids
The Hurd Dilemma: City School Districts with Constitutional Tax Limits
Circuit Breakers
Bibliography
Appendices

INTRODUCTION

The Task Force on Equity and Excellence in Education was appointed in September 1978 by Governor Hugh L. Carey and Board of Regents' Chancellor Theodore L. Black. Its charge was to recommend alternative systems of financing education in New York State in response to a June 1978 State Supreme Court decision in Levittown v. Nyquist, which declared the state's existing funding method unconstitutional. The Appellate Division, Second Department, substantially upheld this ruling in October 1981, and hearings are scheduled for May 1982 in the Court of Appeals.

This volume of the Report of the Task Force puts forth all the proposals concerning school operating aid which received support from any Task Force member. Not included are scores of additional alternatives which were considered but ultimately rejected. As such, it represents the gamut of feasible approaches for the Governor and the Legislature to consider when shaping their annual school aid statutes. The Task Force has attempted, to the extent possible within a report of readable length, to lay out the major justifications for every proposal it considered--the research findings, the equity considerations, and the fiscal implications. Volume One contains a summary of the major recommendations of the Task Force members and a summary of the research commissioned by the Task Force. A series of illustrative school operating aid distribution formulas in Volume Three incorporates many of the Task Force recommendations and demonstrates their costs and impacts. In addition, Volume Three contains Task Force proposals for non-operating aid, including transportation, building, and Boards of Cooperative Educational Services (BOCES), as well as circuit breakers and relief for cities with constitutional tax limitations.

Along with the discussions of the alternative proposals in this volume are included the individual statements of some Task Force members who wished to make additional comment. A tally of the preferences of each member, as voted, appears at the end of each section.

I. BASIC FORMULA STRUCTURE

INTRODUCTION

In Levittown, the court criticized both the adequacy of the state's minimum funding level and the equalization achieved by the state's current formula.

Defenders of New York's current system point out that the state today provides, as it has for the last several decades, a minimum allotment that is generous compared to state education assistance elsewhere in the country, even though it may not enable poor school districts to match the spending of wealthy ones. The court in Levittown, however, did not find that the current system provided an equal opportunity for children, particularly in poor districts.

The Task Force is unanimous on the question of adequacy. The Task Force believes that the state should ensure that all students are guaranteed at least an adequate basic level of support. It finds that the current expenditure levels supported by the state are not high enough and must be raised. The Task Force also believes that the state should move towards increasing its overall funding responsibility to ultimately reach at least 50 percent of the total educational cost.

The Task Force sees the principle of adequacy, that of increasing the basic support level for all students, as fundamental to all advances in equity. It believes that children living in poorer communities ought to be able to receive a quality and range of offerings comparable to those available in wealthier districts. Establishing a higher basic level of assistance for all students will accomplish this goal. It will also help to maintain and enhance New York State's excellent educational system. The Task Force is convinced that equity must not be, and need not be, purchased at the expense of excellence.

The Task Force has considered two criteria by which to judge the state's achievement of equity in education. One is the extent to which the state encourages

equal expenditures among districts. The second is the extent to which the state provides districts with equal ability to support education and thereby eliminate district wealth as a determinant to educational spending.

Task Force members did not believe the state could or should fully equalize expenditures or ability to support education. Equalizing expenditures would require a very constricting set of state controls on local autonomy or full state funding. Fully compensating poorer districts for the tax advantages enjoyed by wealthier districts would be prohibitively expensive.

All agreed that both should be pursued under a reformed system, though they differed on the degree to which one should be emphasized over the other. However, because expenditure levels in New York State are powerfully linked to local wealth, the achievement of one goal would partially satisfy the other. If the state provided a higher level of aid to low wealth, low spending districts, the expenditure gap and the link between wealth and spending would be diminished.

In search of the best way to achieve these two equity goals, the Task Force examined various formulas and reviewed those used in many other states. It found that formulas vary with respect to underlying goals and ability to equalize, but that the choice of a specific structure is often of secondary importance. The way a given formula is arithmetically adjusted and the level of funding invested in it by the state are often of more significance than is formula type.

The percentage equalizing formula, which has a long tradition in New York State, can be a powerful equalizer of wealth and spending. However, it is currently providing inadequate aid levels for all students. This is due to its low expenditure ceilings. If the ceilings were raised and other adjustments were made to the formula, the Task Force believes there would be no reason to abandon it. It is flexible, serviceable and familiar to New York.

The Task Force therefore suggests that the state does not need to adopt a new formula structure. Rather, it needs to readjust the two tier percentage equalizing formula currently in use.

Alternative proposals for adjusting the current formula are discussed in the following sections.

1. Setting the State Supported Expenditure Level

DISCUSSION

The importance of raising the expenditure ceilings cannot be overstated. The state's failure to share in an adequate level of spending is a primary cause of the major inequities identified in the plaintiffs' suit in Levittown. These inequities are large disparities in spending among school districts and a systematic link between local wealth and spending.

In the Task Force plans, as in the state's current system, the two tiers of the formula have different purposes. In the first tier the proportion of the state share is higher; it is set at 49 percent for a district of average wealth. This results in a broader and larger distribution of aid than in the second tier where the state share is 20 percent of spending. In this tier, the aid is more pointedly equalizing. It is concentrated in the lower wealth districts.

Often the first tier is thought of as the tier where expenditure gaps should be closed, and where the state should establish its basic, systemwide commitment to educational spending. All districts, except those whose wealth takes them off the formula, receive assistance in spending up to the first tier level. In 1981-82, the state's first tier of operating aid, $1650 per pupil, represents less than the first percentile of spending. More than 99 percent of the students in the state have more money spent on their schooling than the state shares in.*

In theory, the second tier is thought of as the "wealth equalizer." The ceiling is higher; the state share is smaller. Therefore, lower wealth districts making a greater tax effort, and reaching that ceiling, should receive extra state aid. In practice, however, districts currently receive all second tier aid, regardless of effort.

---

* "Operating aid" represents about 85 percent of the total amount provided for operating-type expense purposes (i.e., $2.95 of $3.42 billion). If the $470 million spent on other operating-type aids were added to the basic operating aid formula to increase the ceilings, the resulting ceilings would be higher than they are today. However, the money would no longer be available for other operating-type purposes.

In 1981-82, the state's second tier of operating aid, $1885 per pupil, represents the third percentile of spending.

All Task Force members believe that the ceilings on both tiers must be raised. They differ, however, on the extent to which they should be raised.

RECOMMENDATION (1A)

> The state should maintain a two-tiered approach, providing a high basic level of support, at the state average expenditure, on tier one. The second tier should provide a higher level, for example, at the 75th percentile, so as to guarantee larger amounts of aid to high spending poor and moderate wealth districts.

This approach, as well as the alternative discussed below, represents a major shift from the way expenditure ceilings are set currently. At present, each year the Legislature adopts formula ceilings defined in dollar amounts. The method recommended would automatically adjust the ceilings each year in proportion to actual spending. In this way, the ceilings would not fall behind actual spending over time. A constant standard of equity would be maintained.

All Task Force members agree that the state should share in a larger percentage of actual costs. They differ, however, on the exact level of the ceilings.

Alternative Proposal (1B)

> The state should maintain a two-tiered approach, providing a moderate level of support on tier one near the state median expenditure level. The second tier should provide a relatively small additional amount, perhaps at the 60th percentile, so as to guarantee slightly larger amounts of aid to high spending poor and moderate wealth districts.

This plan is designed to accomplish all the goals of the first alternative, but at less cost to the state, and generally, in a more modest way. Those voting for it do not believe the state can afford as high a basic guarantee as those voting for the majority recommendation. Nor do they believe wealth equalization ought to be established at so high an expenditure level. They predict that higher ceilings could induce higher spending among the wealthier districts but not among the poorer districts if districts were required to spend at a certain level to qualify for state aid. This could aggravate expenditure disparities. They further argue that ceilings determined by the average spending could rise faster than ceilings determined by the median if spending increases were concentrated in many large, high spending districts.

Impact of Proposals

Under the present state aid system, and in the packages presented as illustrations, there is little dollar difference between the average level of spending and the median. This is mostly because New York City, which contains roughly one-third of the students in the state, heavily influences these rankings. Currently, New York City's spending is slightly below average in terms of operating expense per pupil, if the pupil measure is defined in terms of active enrollment and student needs.

In general, higher expenditure ceilings can substantially reduce expenditure disparities and diminish the link between wealth and spending. Setting the first tier ceiling at the state average results in equalization of expenditures close to the 70th percentile of per pupil expenditures. Setting the ceiling at the median would equalize spending per pupil up to the 50th percentile.

Under the recommendation of the majority (1A), average state aid increases would be greater for cities, the Levittown plaintiff districts, nonmetropolitan areas and districts identified as municipally overburdened than for other districts.

2. Relationship of Local Expenditure to State Aid

DISCUSSION

The expense and the degree to which expenditure gaps are closed rest to a considerable degree on state requirements and incentives for local districts' contribution to those ceilings.

If, as under current law, the state granted aid up to the ceilings regardless of local fiscal behaviour, a plan with high ceilings could result in a large increase in state aid. Some districts could experience sudden hikes in aid and could lower taxes appreciably. For such districts, the increased spending for education would be borne by the state. Moreover, state aid would not serve as an incentive for local districts to raise expenditures to the ceiling level.

If, on the other hand, to encourage low-spending districts to increase expenditures, the state granted aid only on the basis of local participation, these districts might choose to maintain low tax efforts preferring lower school spending to higher taxes, regardless of the loss of potential state aid. The result would be a failure to achieve more equality in spending and a failure to break the link between wealth and spending.

If, instead, the lower wealth districts, which in general, are now the lowest spending districts, chose to raise their taxes to earn their state aid under this second policy, the new taxes could be burdensome. Research for the Task Force has established that the taxation system for schools is already highly regressive.

Difficult policy decisions are inherent in the question of what local contribution should be expected in relation to the state contribution. There are several ways for the state to influence local spending at both the high and low ends of the spending spectrum. The Task Force emphasizes bringing up spending at the low end. This and the following four sections deal with issues of local fiscal behavior.

The first set of proposals discusses the relationship of state aid to local expenditure: whether state aid ought to be based strictly on actual expenditures, on the full statutory ceiling or somewhere in between. Because of the conflicting but desirable goals inherent in these alternatives, Task Force members differ on this issue. Following are the alternative proposals in the order of the support they attracted.

Alternative Proposal (2A)

The state should grant the full entitlement of equalization aid based on the statutory expenditure ceilings in both tiers.

This policy would assure that equity goals built into a reformed formula would be achieved. It would guarantee a level of state support for all districts and would keep the lowest spending from falling too far behind.

It is primarily the very poor and below average wealth districts which are low spending. If they choose not to match the higher state ceilings under alternative proposals they would be ineligible for state aid increases and the linkage between wealth and spending would not be diminished. Granting the full entitlement of aid would prevent this from occurring.

If the ceilings were substantially increased this alternative would result in higher costs to the state. In fact in some low spending districts, the state would be paying a very large share of all the school costs. However, in the opinion of some, in lower wealth communities it is preferable to use general state revenues rather than the regressive property tax to carry the cost of reform.

Alternative Proposal 2 (2B)

The state should grant equalization aid based on actual expenditures.

Proponents of this proposal argue that the cost of education reform ought not to fall solely on the state revenue structure. Localities ought to contribute their fair share to the maintenance of a basic program.

As an incentive, this approach is a milder method of encouraging local spending than a requirement would be. This program rewards those districts which are making greater tax efforts. It contains state costs and allows the state to set higher expenditure ceilings. It is likely that this policy would retard the achievement of equalization.

Alternative Proposal 3 (2C)

The state should grant a percentage of the full entitlement of equalization aid to districts spending below the statutory expenditure ceiling.

This proposal would provide an amount of state aid in between a district's full entitlement and the amount of aid it would receive in accordance with its spending. Such an approach could induce districts to raise their spending but it would not punish them for not raising it to the statutory expenditure levels.

Providing the full entitlement of state aid, regardless of district spending levels, could result in greater increases in aid to districts making a substantially lower effort. On the other hand, disbursing state aid on actual expenditures prevents low wealth and low spending districts from providing educational programs similar to those in wealthier communities. This compromise represents a balance between these two extremes.

Local Fiscal Behavior

DISCUSSION

Although increases and changes in the flow of state aid can significantly reduce expenditure disparities and improve the equity of the system, local districts' decisions to spend as little or as much as they choose can over time result in widening the expenditure gaps. Moreover, because the state has limited resources, it must look to localities to share in the establishment of greater equity. Therefore, some propose that localities should have certain reasonable constraints imposed upon them so that greater equality of educational opportunity might be offered.

New York's current school finance system permits freedom to school districts to determine the level of tax effort and local expenditure that will be devoted to the schools. Only city school districts subject to constitutional tax limits are exceptions. This fiscal autonomy is a dearly

valued tradition in the state, but, as the Appellate Court was emphatic in pointing out, it is a reality only for the wealthier districts, the poorer districts not having the resources with which to make the same choices.

There are sizeable differences in expenditures across the state and within regions. They are derived not only from differences in local fiscal capacity but also from differences in local tax effort. Within the Syracuse metropolitian area, for example, one district raised $144 per pupil in the 1977-78 school year, while another district raised $3,052, a difference of 2,019 percent. In Nassau-Suffolk, where taxes are generally high for education purposes, the difference in local revenues was as great as 752 percent. (See Appendix, Volume Three.)

The Task Force explored the many alternative mechanisms for achieving greater expenditure equalization, ranging from requirements that low wealth districts achieve an established minimum spending level, to those which would limit the amount high wealth districts may spend. In general, it favored efforts targeted to increasing spending at the low end of the expenditure scale. A majority of the Task Force, however, reached the overriding conclusion that the state must modify its current degree of local fiscal autonomy in order to achieve greater equity in the educational funding system.

3. Minimum Effort Requirements

DISCUSSION

Basing state aid on the amount districts spend is one method of inducing districts to make an appropriate local effort. Another method is to impose a spending or tax effort requirement. A majority of the Task Force endorse s this concept.

RECOMMENDATION (3B)

> The state should require every district to meet a minimum local expenditure set at a specified percentage of the state guaranteed expenditure ceiling; or, a minimum tax effort set at a specific percentage of the average state tax effort.

This approach would ensure that all districts provide a basic minimum level of support or a basic minimum tax effort, which would be compatible with ability to pay, but would not be totally reliant on state aid. A higher level of expenditure equalization would be achieved because districts would be contributing more to the support of a locally funded program.

Neither a minimum local expenditure level nor a specific tax effort can be set to work for all districts. If an expenditure level were set, too heavy a tax effort burden would be placed on the poorest districts. If a tax effort requirement alone were imposed, some districts might raise more money than was necessary.

Alternative Proposal (3A)

> The state should require every district to meet a minimum per pupil expenditure level based on locally raised revenue and state aid, set at a specified percentage of the state guaranteed expenditure ceiling.

Under this provision, the local contribution to a basic minimum would vary according to local wealth. In including state aid, this proposal would achieve a basic minimum program while not unduly burdening low wealth, low spending districts with harsh minimum expenditure requirements.

Using state aid as part of a minimum effort requirement equalizes locally raised revenue based on a minimum tax rate (up to the expenditure ceilings). All districts which tax themselves up to this level would be making an equal tax effort, but raising different amounts locally. The result would be the same total minimum expenditure because it includes state aid.

Alternative Proposal (3C)

> The state should retain its current policy of not requiring a minimum expenditure or effort of local districts.

Any minimum effort requirement would necessarily be targeted at the lowest spending districts in the state. Many of these districts are also the lowest wealth districts. All are below average in wealth. To raise educational spending on the backs of the poor is ill-advised policy.

The children and the taxpayers in below average wealth districts need assistance, not added burdens.

Districts, particularly the poorest ones, should be free to make this own judgments about their ability to pay local property taxes.

3 a. Sanctions for Enforcement*

DISCUSSION

A minimum requirement without a mechanism for assuring district compliance might be difficult to enforce. Therefore, two sanctions for a district's failure to meet the requirement were considered.

RECOMMENDATION (3a.B)

The state should enforce a minimum requirement by imposing a state tax on those districts not in compliance.

A tax rate equal to the amount necessary to meet the minimum expenditure level would be imposed on recalcitrant districts. The tax rate would be based on what would yield the appropriate minimum expenditure level and levied only for the term of non-compliance. Once districts reached the minimum expenditure level, a state imposed tax would no longer be necessary.

This sanction would ensure that districts complied with a minimum requirement without depriving them of aid. Withholding state aid from noncompliant districts punishes those who can least afford the loss.

This approach is preferable to aid penalties because, although penalties could be severe for the wealthier districts that qualify for aid, the below average wealth districts would be most hurt. Denying state aid to these districts would strengthen the link between wealth and expenditures and could result in further increasing expenditure gaps.

---

* See Statement of Alfred B. DelBello following Basic Structure section.

Alternative Proposal (3.a.A)

The state should enforce the minimum requirement by reducing operating aid payments for districts which spend less than is required.

Imposing a state aid penalty would be a more feasible approach to assure compliance with a minimum effort requirement, though it might not result in the recalcitrant district meeting the minimum spending requirement. Should a district not comply with the minimum, it would be aided only on the basis of what it was spending.

According to one proposal, for every $10 per pupil spent below the minimum, aid would be withheld according to fiscal capacity. Reductions in state aid would not be the same for all districts even if they failed to meet the requirement by the same dollar amount. The wealthier the district, the harsher the state aid penalty.

This approach requires critical decisions. Foremost is the determination of a suitable tax rate which would yield a state aid penalty that is neither too severe nor too lax. Below is a table that fixes a .0002 tax rate penalty against a district. It shows the possible penalties to districts at various wealth levels for each $10 per pupil below the minimum requirement.

Property Wealth Per Pupil	Uniform Tax Rate Penalty	State Aid Penalty for Each $10 Below Minimum
$30,000	.0002	$ 6
$60,000	.0002	$12
$90,000	.0002	$18

4. Maintenance of Effort

DISCUSSION

An approach that would assure that increases in state aid would not be used as tax relief in lower spending districts is to require that these districts maintain their tax effort year to year. All but a few Task Force members endorse a maintenance of effort provision for districts with below average expenditures.

RECOMMENDATION (4A)

> The state should impose a maintenance of effort requirement on districts with below average per pupil expenditures, requiring that state aid increases be used to enrich the educational program.

The imposition of this maintenance of effort provision would help assure that the purposes of reform--the improvement of educational services in low spending, low wealth districts and the narrowing of expenditure gaps--would be secured. This provision guarantees that new state aid would be used for increased educational support and not tax relief in the low spending districts, while it would allow the higher effort, higher spending districts the freedom to hold steady or diminish tax rates if they felt the need for tax relief superseded the concern for higher school spending.

A maintenance of effort requirement would work like a minimum effort provision. Once imposed, it establishes an expenditure floor upon which future spending increases may be securely predicated. It may be seen as more desirable than a minimum effort requirement because it would reflect local abilities and values.

Alternative Proposal (4C)

> The state should not impose a maintenance of effort requirement provided that districts are meeting a minimum per pupil expenditure level.

A maintenance of effort requirement on all districts with below average expenditures may be considered too stringent. Also, a minimum expenditure requirement would make it unnecessary.

5. Curbs on Spending*

DISCUSSION

The above local fiscal controls address those districts which are not considered to be contributing their fair share towards the education of their children. At the other end of the expenditure continuum are those districts whose wealth enables them to spend at levels two or more times above the average.

Here again, diverse values prevented the Task Force from agreeing on a single solution. While equalization is a desirable goal, Task Force members believe that it should not be bought at the price of excellence. Many Task Force members felt that placing curbs on high spending would do just that. In fact, a proposal to limit local expenditure increases in high spending districts received no support. However, two proposals that would discourage, but not prohibit, high expenditures received serious consideration.

Because there was no overriding agreement on this issue, the proposals are presented here in order of the votes they received.

Alternative Proposal 1 (5D)

> The state should allow high spending districts to make their own decisions about local expenditures or tax rates without any interference from the state.

The state has never placed any limit on spending for education, other than indirectly through a constitutional property tax limit on city school districts. A spending limitation would represent an unwarranted departure from New York history and might cause so much resistance that other features of a reformed state aid system might be rejected along with it. To discourage spending would result in the dismantling of programs necessary or desirable for the education of children since high spending districts establish standards of excellence and innovation for the rest of the state to emulate. The autonomous fiscal

---

* See Statement of Mr. Rubin following Basic Structure section.

behavior of local districts must be considered as a given. Reform must depend on a more equitable and generous distribution of state aid.

Alternative Proposal 2 (5B)

> The state should limit state aid increases to districts with expenditures above a specified level.

State aid penalties would be leveled on districts with above average wealth and expenditures exceeding a specified level. The penalties would be determined based on an amount by which districts exceeded their permissable expenditure increase. The allowable percentage increase would be tied to the annual rate of inflation, including all fixed costs.

This provision would seriously discourage high expenditure districts from increasing their spending at a rate faster than state aid could compensate lower spending districts. It would therefore allow the state to move towards equalization of expenditures with more assurance of enduring effectiveness.

Although policies such as this have been previously proposed in New York State by such groups as the State Board of Regents, none has been adopted. Yet, of provisions to limit high spending, it is probably the least restrictive. Districts may spend as much as they like. They would merely lose some state aid if their increases from year to year exceeded a certain percentage.

Alternative Proposal 3 (5C)

> The state should recapture a percentage of local revenues raised by high wealth districts whose tax yield or rate exceeds a specified amount.

A recapture provision preferred by a few members, gives high wealth districts the option of increasing their local contribution as much as they desire but requires that they share some of that increase with those less able to afford higher expenditures. A portion of the local dollars raised would be redistributed to the lowest spending districts to keep expenditure disparities in check and reduce state costs.

The determination of districts, expenditure levels, and amounts to be recaptured could be as follows:

(1) Any district with more than twice the state average wealth is presently ineligible for equalization aid, although eligible for flat grant aid, and therefore a possible candidate for recapture.

(2) The expenditures of these districts should not be allowed to increase by more than the annual rate of inflation, including all fixed costs.

(3) A percentage of the locally raised revenues which exceeded that amount would be recaptured by the state and redistributed.

Exceptions to the Equalization Formula

DISCUSSION

Other aspects of the basic operating aid formula which have significant policy and fiscal implications are the so-called flat grant and save harmless provisions. These adjustments grant aid to districts to which they would not be entitled under an equalizing formula. Both were referred to in the Levittown decisions as contrary to equalization.

Nevertheless, some justification can be made for them. If there were no flat grants, there would be districts where the state would have no funding role at all. And, if there were no save harmless provision, districts might be subject to sudden and drastic changes in their state aid, thereby necessitating severe service cuts or tax increases.

Because there were compelling arguments on both sides, the Task Force considered alternatives to each of these provisons which would fulfill their original goals, but not be so disequalizing. To replace flat grants, it considered a minimum basic guarantee, and instead of save harmless, a continued declining enrollment cushion.

6. Flat Grant and Minimum Aid Guarantees *

DISCUSSION

New York State has always distributed aid to all districts. The specific flat grant provision currently in use was incorporated in the New York formula in 1930. From the 1962-63 school year to the 1973-74 school year the flat grant amount represented 36 percent of the state set expenditure level, but this proportion has been decreasing in the last few years. The current $360 is 19 percent of the second tier expenditure level of $1,885. In the 1981-82 school year the state will have distributed $92.5 million in flat grant aid.

However, no flat grant district receives only the $360 per pupil grant. Ninety-five of the 96 districts receive additional save harmless aid and all receive a few other categorical awards. In 1981-82, the actual minimum amount received will have been $372 per pupil, and the maximum, going to the state's wealthiest district, will be $754 per pupil.

Below is a summary of the flat grant districts according to wealth and state aid per pupil.

Distribution of Flat Grant Save Harmless Districts
1981-82

Property Value Per Pupil	No. of Districts	Average State Aid Per Pupil
$100,000-$126,000	20	$506
126,000-150,000	23	494
150,000-200,000	21	451
200,000-250,000	10	475
250,000+	22	462

* See Statement of Mr. Rubin following Basic Structure section.

RECOMMENDATION (6C)

The state should phase out the flat grant provision of the operating aid formula.

Flat grants would be eliminated by a phasing out of the $360 per pupil amount over a given number of years. This would move the state toward a more equalized system if the state used the saving to provide larger contributions to the below-average wealth and expenditure districts. At the same time a phase-out would not cause drastic cuts in aid. For the first $100 per pupil reduced from the flat grant, the state saves about $25 million, and more thereafter.

Flat grant districts argue that if they were denied state aid, they would be unable to raise new taxes, thereby sacrificing educational programs. If tax rates were increased, their citizens would face an unfair tax burden. While it is true that flat grant districts typically sustain above average tax efforts, the flat grant districts have three to four times more property wealth to support each child than the poorest hundred districts in the state. Moreover, flat grant districts generally have much greater income wealth than the remainder of the state. Thus, in general, an increase in property tax rates would be less burdensome on residents of flat grant districts than on any other group of district taxpayers.

Federal income tax savings for the higher income brackets would significantly ease any new local property tax burden. Although low income people reside in flat grant districts, the numbers are minimal compared to the number in many low and moderate wealth districts. To address the hardships experienced by the lower income residents of high wealth districts, an expanded circuit breaker could be implemented.

Alternative Proposal (6D)

The state should provide a basic minimum guarantee to which all districts would be entitled. Two methods could be used for its calculation:

1. Equalization aid would be distributed in addition to the basic minimum grant.

2. The miniumum guarantee would be included in equalization aid, and the percentage of the State's share decreased to keep the overall costs from increasing.

This approach would replace the current flat grant with a basic minimum guarantee that would be distributed to all districts regardless of income or property wealth. It would act like a floor, with equalization aid being distributed on top of it. As a separate formula feature it expresses the state's responsibility to provide support for all children within its borders in a common manner.

There are other underlying reasons the state should provide aid to all districts. The state imposes numerous mandates on all districts. To expect compliance, it must accompany these mandates with minimum support.

Tax rates are high, even very high, in many flat grant districts. Although $360 per pupil may not seem like a very large amount, the total aid package many flat grant districts receive is crucial to their viability. Taxes are paid by the poor residents of these communities as well.

Flat grant districts are significant contributors to the state's revenues through income and business taxes. They receive relatively little state fiscal assistance for other public functions. They deserve some return for their tax dollars.

Within the flat grant districts are some of the best schools in the state. To nurture excellence and innovation, the state must continue to support these districts.

Like the flat grant, a minimum basic guarantee is disequalizing, but it has a systemwide application in keeping with the constitutional mandate. The principle of systemwide support may be more acceptable to the courts than a flat grant.

Option 1: Equalization aid would be distributed in addition to the basic minimum guarantee.

Under this option a basic minimum guarantee would be set and any equalization aid to which a district was entitled would be added. For example, at the current first tier ceiling of $1,650 per pupil, each district would receive $360 per pupil, and equalization aid would be paid on the remaining $1,290 per pupil.

While more costly than the current flat grants, the basic minimum reduces the amount of money needed for equalization as equalization dollars are added to the basic minimum to reach a stipulated ceiling.

A basic minimum guarantee set at $200 per pupil, as an example, would cost roughly $290 million if added to the current formula. Many flat grant districts would lose $160 per pupil, a loss to them of approximately $49 million. But with higher ceilings, many of these districts, which also have received save harmless aid, would become eligible for formula aid.

This approach slightly increases the expenditure gap but does not significantly stand in the way of breaking the link between wealth and spending.

Option 2: The minimum guarantee would be included in equalization aid, and the percentage of the state share decreased to keep the overall costs from increasing.

Under this proposal, a minimum guarantee would be established. If, for example, it was set at $360 per pupil, the expenditure ceiling would be reduced by $360 for all districts, and the percentage of the state share would be reduced. In this way, the overall cost of the finance system would remain unchanged.

This proposal gives primary consideration to total costs and then decides upon the amount of the basic minimum guarantee separately, with the understanding that the equalization aid is to be applied on top of the minimum. Under this approach less progress is made on all equalization goals than would be made without a minimum aid guarantee.

7. Save Harmless Factors*

DISCUSSION

A save harmless provision stipulates that no district shall receive less aid in the current year than in

---

*See Statement of Mr. Rubin following Basic Structure section.

the prior year. During the last two decades New York State has had various forms of save harmless. One, the total dollar save harmless, specifies that the total amount of operating aid received by a district in the prior year would be due the district. This form of the save harmless has been in effect since the mid-sixties, and there are a few major school districts which have received operating aid payments under a save harmless provision since 1965-66. The total dollar provision protects districts which have had unusually steep increases in property valuation as well as those with declining enrollments.

Another form of save harmless is focused on the pupil. It specifies that the per pupil allotment received by the district in the prior year shall not be reduced. This provision does not address districts which have had steep declines in enrollment. The per pupil save harmless was introduced for the 1974-75 school year, but it has not been in effect since the 1979-80 school year.

Until then, districts were able to select either form of save harmless, according to which would yield more aid. Additionally, from time to time, the state aid formula has contained other provisions, not called save harmless but functioning similarly.

When save harmless aid payments represented about one-tenth of one percent of total aid payments, they did not introduce as many inequities into the system as they do today. Save harmless aid payments in four major aid categories now total nearly $105 million and represent about 2.47 percent of all 1981-82 aid payments for General School Support.

Aid Category	Estimated 1981-82 Save Harmless and Special Aid Payments
	-------- (In Millions) --------
Operating Aid	$ 90.36 (including $88.28 million in Special Aid)
High Tax Aid	5.77
Public Excess Cost Aid	8.20
BOCES Aid	.50
TOTAL	$104.83

RECOMMENDATION (7A)

All save harmless provisions should be phased out. The state should address problems related to higher property values and declining enrollments directly, rather than through save harmless provisions.

All but four Task Force members believe that the save harmless provisions should be phased out as they distort the equalizing capacity of the operating aid formula. However there might be a legitimate basis for the application of a save harmless clause to address an urgent district problem for a brief period. The save harmless clause is now used in New York as a regular feature of its aid system. The $104.83 million now distributed through save harmless provisions should be ultimately used for equalization.

Because of the length of time the save harmless provisions have been in effect in New York State, an abrupt phase-out would lead to serious disruptions in a number of school districts. For this reason, the phase-out period should be extended over a few years.

Alternative Proposal (7B)

The state aid formula should contain a per pupil and total dollar save harmless.

Proponents of save harmless provisions argue that school districts could not function if state operating aid payments were to decrease. Excessive inflation rates and rising costs persist, so that receiving the same amount from one year to the next in fact represents a loss. Enrollment declines occur gradually and schools cannot cut back abruptly. They therefore need to be able to count on the same state operating aid dollars from one year to the next.

8. Declining Enrollments

DISCUSSION

A major cause of districts' potentially losing state aid is a drop in enrollments. Most regions of the state are experiencing marked declines in enrollment. The public school population of the state as a whole will have declined by 21 percent between 1978-79 and 1985-86.

For several years New York's school aid formulas have protected districts from losses in state aid by the use of mechanisms other than the save harmless. One method designed to address the problem of declining enrollments has been to permit districts a choice of pupil count when calculating state aid.

In the 1981-82 school year, the cost of allowing districts to choose between their pupil counts for the previous or base school year or an average of pupil counts for the two preceding years was $53 million. This choice provided additional aid to 592 school districts in 1981-82.

RECOMMENDATION (8A)

> The state should provide a declining enrollment provision which allows districts to use a two- or three-year average count when calculating state aid.

In contrast to the save harmless provision, the declining enrollment adjustment is a more direct method of addressing the problems of districts experiencing losses in their student body. It provides a continuity in state assistance, adjusting the pupil count downward in a more gradual manner.

The loss of students also affects the wealth measure. As the denominator decreases in the pupil count, the measure of district wealth is "inflated" and lowers the state aid. Allowing districts to receive aid on the basis of a two or three-year averaged count cushions districts against sudden substantial aid losses.

The declining enrollment provision helps reduce both expenditure gaps and the relationship between wealth and spending. The more expansive the provision, the more progress is made toward equalization. While more expensive, the three-year provision would be more consistent with district fiscal operations, including the setting of salary scales and the continued payment of fixed costs and borrowing obligations.

Alternative Proposal (8B)

> The state should not continue its declining enrollment provision. Instead, state aid should be based on the number of students enrolled or in attendance in the prior year.

If the state had not allowed districts to choose between (i) the higher of base-year pupil counts or (ii) an average of the pupil counts of the two preceding school years, the money used for the declining enrollment provision could have been devoted to increasing the operating aid ceilings. Such a choice would have increased aid to districts which are still growing, and to poorer school districts which do not have an enrollment decline greater than the average statewide which is 3.97 percent, excluding New York City.

Although it might be difficult for New York State to retreat from the use of a two-year average pupil count, it is not necessary for the state to decide a priori to include a two-year average pupil count in a new formula which is designed to address the issues raised in the Levittown case. Further, under many of the Task Force recommendations, a two-year average may not be necessary in a new formula.

Many of the Task Force members who opposed a declining enrollment provision felt that the formula would be simpler to understand and would operate in a more equitable fashion with one-year pupil counts. Such a provision permits special "cushioning" provisions to be added after the basic operating formula has been selected.

Pupil Count*

DISCUSSION

A pivotal feature of the formula is how pupils are counted. The state's determination of the number of pupils a district has will affect the amount of aid the district will receive in two ways. First, the amount of aid a district

---

*See Statement of Frederick Shore, surrogate for Henry Viscardi, Jr., at the end of the Basic Formula Structure section.

will receive for each pupil is based on its wealth. Currently, district wealth is measured on the basis of full valuation divided by its pupil count. The larger the pupil count, the poorer the district will appear and the poorer the district, the more aid it will receive. Second, the formula distributes aid on a per pupil basis, so the more pupils a district has, the more total aid it will receive.

There are many adjustments to the pupil count: years may be averaged to cushion declining enrollments as discussed above; months may be averaged to cushion poor attendance periods; weights for differential costs associated with grade level and special educational need may be added. Standardizing that pupil count so it is constant throughout the operating aid formula is one Task Force goal.

Perhaps the most crucial pupil count issue pertains to whether students are counted on the basis of attendance or enrollment. The courts in Levittown pointed out the doubly disadvantageous effect of the current attendance based count for cities, where economic conditions cause significant attendance problems. One of the four major urban overburdens cited by the court was absenteeism. The attendance count reduces the number of pupils for whom aid is distributed. It also inflates the cities' wealth measure.

Most states now use an enrollment-based pupil count.

9. Enrollment vs. Attendence

RECOMMENDATION (9A)

> The state should use the count of active enrollment* in calculating basic operating aid to school districts. Districts with high absentee rates should be required to develop acceptable programs for improving attendance.

Districts have to provide programs for all enrolled students, regardless of attendance, and state aid should be distributed on the basis of the full range of services that districts are offering. In fact, districts with attendance problems require more, not less, state aid in order to address the educational problems resulting from absenteeism.

Truant students are not "phantom" students, as some of those who oppose the use of membership argue. Rather, they are youths in need of special assistance. Both the lower and intermediate courts held that the problem of sporadic school attendance is beyond the schools' ability to affect. It is inexorably associated with poverty and the many learning difficulties that can result from poverty.

If a student count (rather than a total population count) is used in the divisor of wealth, a switch to active enrollment will affect the fiscal capacity measure. Districts' ability to finance education will be more accurately reflected since all, including those with high absentee rates, always have had to support schools on an enrollment basis even though the state has not recognized the fact. Moreover, since high absentee rates are a reflection of concentrations of poverty, an enrollment count will give a more valid representation of the economic circumstances of the districts' population.

---

*Active enrollment is defined as the number of students enrolled on a given day less any students who did not attend school at least once during a specified previous period, e.g., a month. It would therefore not include long-term absentees or pupils retained on the register in error.

One of the major objections to granting school aid based on enrollment rather than attendance has been the fear that school districts would discontinue their efforts to return absentees to school. The attendance count now in use is seen as an incentive to improve attendance. The effectiveness of this "incentive" has been disputed by educators, including the Board of Regents, and by Judge Smith. However, as improved attendance is an important educational goal, the Task Force believes that school districts should be required to maintain or initiate programs for improving attendance. While aid should not be withheld from districts whose attendance is not markedly improved, efforts to reach out to truant students should be required and closely monitored.

The cost of switching from attendance to active enrollment varies greatly depending upon the level of new ceilings. However, when percentiles are held constant, the result is redistributive and does not have to involve increases. New York City receives a greater portion of aid. Some cities and some suburbs experience increases. Upstate nonmetropolitan and many suburban districts do not gain.

Alternative Proposal (9c)

> The state should combine active enrollment and attendance in calculating basic operating aid to school districts.

It is recognized that schools have to provide services and personnel for students on the basis of enrollment, but they should not be rewarded for failure to maintain a respectable attendance record. To award aid on a fifty-fifty combination basis would allow the state to maintain an incentive for the high absentee districts to improve attendance. This would balance the merits of both methods of counting pupils.

The use of a combination pupil count results in much milder redistribution of aid compared to an enrollment count.

Alternative Proposal (9B)

The state should continue to use average daily attendance in calculating basic operating aid to school districts.*

Advocates of this approach argue that to base state aid on actual attendance is the most fair and efficient method. It provides funds for actual students and an incentive to districts to keep enrolled students in school.

The assertion that absenteeism is associated with the problems of poverty does not hold up. There are many examples of well-run schools serving poverty populations which have good attendance records. It is not money but skill and commitment that will bring children to school. If state aid were not distributed on the basis of attendance, cities would suffer an even worse truancy problem. Offering extra assistance or switching to membership is the equivalent of rewarding failure.

Alternative School Finance Structure

10. Use of State or County Property Taxes**

DISCUSSION

Studies of the New York State finance system since 1850 have repeatedly demonstrated that equalization of resources for school funding can be accomplished by establishing a school tax base larger than the individual district. Indeed, a fundamental school finance inequity is of the state's own making--the creation of individual school districts whose tax bases vary greatly across the state.

For the 1981-82 school year full property valuation per pupil ranged, for major school districts, from $912,991 to $17,827--a ratio of 51 to 1. Even if this ratio were computed only using districts with more than 2,000 pupils, there still would be a range in wealth per pupil from $271,000 to $26,000, a ratio of 10 to 1. When equalization is moved to the county level, however, the variation in county wealth per pupil is $114,000, (if Manhattan and Hamilton Counties are excluded) to $41,000 (if Bronx is excluded), a ratio of 3 to 1.

---

*Average Daily Attendance is defined as the average number of pupils present on each regular school day during a given period.

**See Statement of Mr. DelBello following Basic Structure section.

An alternative funding system designed to move away from reliance on the district level has been examined by the Task Force.* Instead of using state funds to supplement the vastly unequal local tax bases of the 700 districts, the state could alter the tax system to equalize tax bases. A substantial degree of equalization, both of expenditures per pupil and of tax burdens, could be accomplished by raising some portion of school costs now supported by the local property tax through a county, regional or statewide tax.

The Task Force believes this approach warranted further inquiry.

RECOMMENDATION (10 E)

> The state should conduct further research on the use of statewide or countywide taxes as a funding system for education.

Because of the sweeping changes that this proposal would entail, many Task Force members felt that more specific information regarding structure and outcome would be necessary before they could consider this approach.

Alternative Proposal (10B)

> The state should require each county to levy a supplemental uniform sales or property tax for the partial support of public schools, with the revenues distributed throughout the county on an equal per pupil basis. Local school property taxes would be imposed to support local expenditures above the level funded by state aid and county tax funds.

The plan, as originally proposed, would require each county to levy a supplemental uniform sales or property tax for the partial support of public schools, with the revenues distributed throughout the county on an equal per pupil basis. Local school property taxes could be imposed to support local expenditures above the level funded by state aid and county tax funds.

The use of a county tax base, if matched in the aggregate with state tax dollars, would permit the state to provide a minimum foundation guarantee for each school district at a reduced state cost. Those who support this alternative

---

*Reference: Lamitie, Robert E., Richard J. Glasheen and Fred Bentley, "Report of the Expanded Property Tax Base Study." New York State Education Department, January 1981.

believe that a degree of equalization could be accomplished efficiently.

They believe that a property tax levied and collected by the state might be much more difficult to implement, especially because of the variation in local assessment practices. Broadening the tax base to the county level represents a more moderate approach to expanding current school district lines for purposes of revenue raising.

The use of a county property tax levied for educational purposes would be particularly beneficial to all districts which have a full valuation per pupil below their county average. These districts would benefit from the combined county/state minimum guarantee which would be greater than the amount the district could raise from its own local tax effort.

A combined county and state minimum guarantee has the virtue of providing assistance to small city districts affected by the constitutional tax limits, the so-called Hurd districts. The state-mandated tax would not be charged against the city property tax limits.

Other than New York City, the four dependent school districts in the state would also benefit. These districts, like small city school districts, would receive additional funds from state and county sources. The local share of this new minimum guarantee would not be charged against the city constitutional tax limit.

If the countywide property tax were to be considered, based on 1980 full valuation, it is estimated that: 1 mill* would raise $253 million statewide, of which $84 million would come from New York City; 2 mills would raise $506 million statewide, with $168 million from New York City; 3 mills would raise $760 million, of which $252 million would be raised in New York City.

If a countywide sales tax were to be considered, it is estimated that: one-half a percentage point statewide would produce approximately $400 million. An increase of one percentage point in the sales tax would yield about $800 million.

---

*Tax rates are expressed in mills on full value. A mill represents $1.00 for every $1,000 of property valuation

MEMBERS' STATEMENTS

CURBS OR DIS-INCENTIVES FOR SPENDING

Statement of Mr. Rubin:

If a formula is fair and equitable, it should be given full sway. A cap is an artificial restraint which invalidates the formula. The attempted excuse for its inclusion is the narrowing of expenditure gaps. It would be a serious mistake to attempt to construct a formula which totally obliterates all differences in educational expenditure. Pure egalitarianism does not exist outside the school house. Nor can it exist within the school enterprise.

To prevent a district from spending what it wishes to spend for the education of its children by artificial provisions in the formula to discourage such expenditure would threaten the public schools in a number of districts. Parents would feel compelled to take their children into private schools if the formula was constructed to prevent them from offering the programs which they wish for their children.

FLAT GRANT OR MINIMUM GUARANTEE

Statement of Mr. Rubin:

Although the existing provisions for flat grants are admittedly disequalizing, there are countervailing reasons for continuing a flat grant provision. It is the responsibility of the State to provide for the education of all the children in the State, including the children in flat grant districts. It would seem that the State hardly discharges its responsibility if all it contributes is granting a local district the right to tax itself.

At least a minimum or almost token payment should be made so that every child in the State receives a contribution from the State.

Moreover, it is difficult to justify compelling a district to comply with State mandates and directives without the State making any contribution whatever to comply with such.

Finally, and on a less idealistic basis, the fact is that the representatives of New York City come to Albany and argue that their city is getting back much less than it contributes. The residents of flat grant districts contribute a disproportionate share of the income of the State. They can make the same argument.

What has corrupted the flat grant provision is the save harmless provision, which has resulted in flat grant districts receiving much more than the flat grant provision.

If financial conditions necessitate, the amount of flat grant should be reduced.

SAVE HARMLESS

Statement of Mr. Rubin:

It is reasonable to use averaging procedures to provide districts' somewhat additional aid on a short-term formula basis in order to help them adjust financially to sudden and significant changes in their wealth or pupil enrollment.

But the save harmless provisions (however labeled) which have continued in the law for many years serve to infect any equitable aid formula. They give aid not on the basis of current or recent conditions - they give aid annually based on the maximum aid which a district may have received many years ago when its wealth or school enrollment was entirely different. It ignores current facts.

The amount of money provided for education or any other government service is finite. To the extent that one district receives more than a fair formula provides, it is taking such monies from districts entitled to receive them. The existing save harmless provision is unfair because it prevents many districts from receiving the aid which equity would provide.

It is understandable that the Legislature would wish to cushion the elimination of the unjust save harmless provision. This could be accomplished in different ways - starting with only a per pupil (not total) save harmless provision; or guaranteeing a percentage such as 75% of

the prior year's appropriation if such exceeds the formula amount; or simply phasing out save harmless over a period of several years.

But whatever tactic is adopted, it is extremely important, if equity is the goal, to eliminate the injustices of the existing save harmless provisions.

The overwhelming vote of the Task Force is significant.

PUPIL COUNT

Statement by Frederick Shore, surrogate for Henry Viscardi, Jr.:

There has been extensive advocacy for the utilization of pupil enrollment or membership rather than attendance for determining the cost of education in the measurement of wealth and the amount of State Aid to be paid to school districts. Proponents of the change argue that city school districts in particular are penalized when pupil attendance is utilized. Those districts, it is stated, lose State Aid because of high rates of truancy and other types of absence and, it is also claimed, this loss of State Aid limits their ability to remedy their problems. Hence State Aid should be based upon enrollment, not attendance.

Other arguments are also advanced regarding planning and operation of programs based on enrollment rather than attendance. However, these are not the major thrust, but are advanced to provide support for changes in order to receive additional State Aid.

This suggested partial solution to some of our school finance problems may appear to have meaning and value but it should be rejected as having basic serious philosophical and educational flaws. This proposal may, in fact, create greater problems for our schools and society. It would lower a time-honored value and standard.

A standard is reduced when State Aid is not based upon attendance of pupils. A record of good attendance should provide recognition and "reward" for effort, and excessive absence should continue to provide a monetary loss.

Should we once again "solve" a problem by acquiescing? Should we say that absence is acceptable when absence itself has produced the deficiencies in learning? Will not one of the most basic incentives be removed? Although the legal requirements for pupil attendance would remain, we cannot hope to achieve a goal of improved learning, if absence and non-attendance is accepted and fostered by removal of financial deterrent.

A new troublesome problem cycle will be created, more than exists at this time. In part, learning deficiences exist because of poor attendance. More money is provided to meet the problem. The proposed solution will not work because the child who doesn't come to school cannot be taught. If absence is without penalty, how hard will the schools try to demand attendance? How does the child learn the habits of discipline and work for future life?

We are able to fully understand and appreciate the social and economic problems that produce poor attendance. However, a change in the State Aid formula base will not provide the solution to the greater problem. The acceptance of mediocrity should not taint the educational system. Let us employ our resources to improve conditions and attendance, but not move downward and drop basic standards while this is being done. Pupil attendance should be continued as a base with necessary adjustments and weightings to meet specific problem areas and special educational requirements.

Statement of Chancellor Genrich:

Willard A. Genrich, Chancellor of the Board of Regents, did not participate in or vote on the Final Report. As Chancellor he will be the presiding officer when the report is discussed by the full Board of Regents before that Board makes its own recommendations. He desires to have the benefit of his Board's discussion of the report before deciding on the issues involved.

Statement of Martin C. Barell:

Mr. Barell voted as a private citizen, not in his capacity as Regent.

SANCTIONS FOR ENFORCEMENT OF MINIMUM EFFORT

Statement of Alfred B. DelBello:

Regarding this issue, I prefer using the existing enforcement mechanism in the State Attorney General's Office to enforce the expenditure of the minimum requirement. Negotiations and/or court-imposed sanctions via the chief law enforcement officer of the state can be used fairly, expeditiously, and without the drawbacks inherent in the reduction of aid or state tax schemes. These fiscal sanctions only create new problems in underfunding of school districts, or in subrogating the integrity of local school districts taxing authority.

Some sanction system is needed, and the system already used by the state toward municipal subdivisions and special districts should be expanded to school districts, and used only if and when necessary.

COUNTY WEALTH BASE SHARING PROPOSAL

Statement of Alfred B. DelBello:

Rather than require the county to levy a tax, the state should levy an income tax surcharge on a regional or county wide basis, and distribute it within the county or region so that it meets constitutional tests.

SUMMARY OF VOTES: BASIC FORMULA STRUCTURE

The chart shown on the next two pages presents member votes on the ten issues relating to basic formula structure. Each of the recommendations previously discussed carries a letter code which corresponds with the voting chart.

Tally Totals

1. Setting the Ceiling: A. 23, C. 9.
2. Relationship of Local Spending to Aid: A. 13, B. 11, C. 7.
3. Minimum Spending Requirement: B. 19, A. 6, C. 3.

3a. Sanctions for Enforcement: B. 15, C. 7, A. 5.

4. Maintenance of Effort: A. 29, C. 1.
5. Spending Curbs: D. 13, B. 12, C. 6.
6. Flat Grant: C. 19, D2. 10, D1. 2.
7. Save Harmless: A. 28, D. 4.
8. Declining Enrollments: A. 22, B. 10.
9. Pupil Count (ADA, ADM): A. 21, C. 9, B. 2.
10. County Tax System: E. 24, B. 4.

SUMMARY OF VOTES

TABLES

ON

FOLLOWING

2 PAGES

I. BASIC FORMULA STRUCTURE

Task Force Member	1 Setting the Ceiling	2 Relationship of Local Spending to Aid	3 Minimum Expenditure Requirement	3a Sanctions for Enforcement
Rubin, Max J.	A	C	B	A
Schuler, Raymond T.	C	C	B	C
Amlung, Susan	A	C	A	B
Barell, Martin C.	A	A	B	B
Barr, William S.	A	A	B	B
Best, Wyoma I.	A	A	B	A
Breen, Monsignor Vincent D.	A	B	A	B
Corbett, Raymond R.	A	A		
DelBello, Alfred B.	A	B	B	C
Dukes, Hazel	A	A	C	
Dullea, Henrik N.	C	C	A	B
Freedman, Irving H.	C	C	B	A
Genrich, Willard A. (absent)				
Gerber, George	A		B	
Gray, Edward F.	A	A		B
Griffin, James	A	B	B	B
Hannon, John W., Jr.	C	B	A	B
Hobart, Thomas Y., Jr.	A	A		
Klein, John V. N.	A	A	C	C
Lawton, C. Mark	C	C	B	A
Macchiarola, Frank J.	A	B	A	B
Manch, Joseph	A	B	B	B
McGuire, Richard	C	A	A	C
Miller, Howard F.	C	B	B	A
Murphy, Edward J.	A	A	B	C
Reynolds, Milton L.	A	A	B	
Robisch, Edwin J.	A	A	B	B
Samter, Eugene C.	A	B	B	B
Schiff, Dr. Alvin I.	A	B	B	B
Shanker, Albert	A	A		B
Stork, Corinne W.	C	B	C	C
Thompson, Eris	C	C	B	C
Torres, Magdalena	A	B	B	B
Viscardi, Henry, Jr. (absent)				

4	5	6	7	8	9	10
Maintenance of Effort	Spending Curbs	Flat Grant	Save Harmless	Declining Enrollents	Pupil Count (ADA,ADM)	County Tax System
A	D		A	A	A	F
A	B	C	A	B	A	E
A		C	A	A	A	E
A	C	C	A	A	C	E
A	C	C	A	A	A	E
A	B	D2	A	A	A	E
A	C	C	A	B	A	E
A	D	D2	D	A	A	E
	B	D2	A	A	C	
A	B	C	A	B	A	E
C	B	C	A	A	A	B
A	B	C	A	A	C	B
	D	C	A	A	C	E
A	D	D2	A	A	A	E
A	B	C	A	A	A	E
A	B	C	A	B	A	E
A	D	D2	D	A	A	E
A	D	D1	A	A	B	
A	B	C	A	B	A	B
A	C	C	A	B	A	
A	B	C	A	A	A	E
A	D	C	A	A	C	
A	B	C	A	B	A	B
A	D	D1	A	A	C	E
A	D	D2	D	A	C	E
A	D	D2	D	A	C	E
A	B	C	A	B	A	E
A	D	C	A	B	A	E
A	D	D2	A	A	A	E
A	D	D2	A	B	B	E
A	C	D2	A	A	C	E
A	C	C	A	A	A	E

II. STUDENT NEEDS

DISCUSSION

At the core of the Levittown decision is the principle that the state should provide equal educational opportunities to all youths regardless of social or economic background. Every student should have the kind and quality of education that will best meet his or her individual need. Indeed, the Task Force is unanimous in its belief that to meet the unequal costs of unequal educational needs is as primary a facet of equity as closing expenditure gaps.

The state has long recognized this principle to a degree, providing some compensation for the extra costs incurred by local districts for the educationally disadvantaged. It has done this mainly through additional weightings on the pupil count, categorical programs and excess cost formulas.

Determining the accuracy of weightings for student needs requires ascertaining the actual statewide average costs of providing services to meet the needs. Where there are no requirements for the local school district to account for the funds received under a particular weighting, as in the case of the current secondary weighting, this is particularly difficult. However, in general, the Task Force has used actual costs to justify weightings. Because weightings are applied to the wealth measure within the formula, the actual aid they distribute may vary widely among pupils with the same needs who attend school in different districts.

Where the actual costs of meeting a particular need are extremely high, or where they vary substantially among districts, or where programs are stringently controlled by costly mandates, approaches other than weightings may be more appropriate.

1. Pupils with Special Educational Needs and Limited English Proficiency

DISCUSSION

In the 1981-82 school year, the New York State operating aid formula provided $2,955 million to New York's major school districts. Within the amount provided for operating aid, a categorical weighting for pupils with special educational needs was incorporated. This component of the operating aid formula will generate $161 million during the 1981-82 school year or 5.4% of total operating aid payments. This portion of operating aid is known as PSEN aid.

In addition, for the first time, the 1981-82 operating aid formula includes a weighting for limited English proficiency pupils (LEP). The formula assumes these same pupils are eligible for PSEN aid and it provides the equivalent of an additional 0.05 weighting. A total of $3.70 million is to be provided for this purpose in the 1981-82 school year, an amount equal to 0.1% of basic operating aid.

Origin of PSEN Weighting

The New York State Commission on the Quality, Cost and Financing of Elementary and Secondary Schools (commonly known as the Fleischmann Commission) recommended in 1972 that New York State establish an additional weighting of 0.5 for pupils who scored below the third stanine on the third grade statewide Pupil Evaluation Program tests in reading and mathematics.

The 1973 Regents legislative program called for an additional 0.20 weighting for disadvantaged pupils as determined by the State's Pupil Evaluation Program (PEP) tests. The Regents also recommended that this new weighting should replace an urban education aid program.

Since the 1974-75 school year, the operating aid formula has provided for a weighting of 0.25 for pupils with special educational needs. The number of such pupils in each district is determined by multiplying the district's average daily attendance by the percentage of elementary school pupils who fall below the standard reference point (commonly called the minimum competence level) on the statewide PEP tests in reading and mathematics.

From 1974-75 through the 1977-78 school year, sixth grade test scores administered in 1971 and 1972 were used as the reference point. Since the 1978-79 school year, PSEN aid allocations have been based on the statewide PEP tests given at the third and sixth grade levels in reading and mathematics in 1974 and 1975.

RECOMMENDATION (1A)

> The state should provide weightings of .35 for Pupils with Special Educational Needs (PSEN) and .40 for pupils of Limited English Proficiency (LEP). Additional aid for students with special needs should be based on the state average actual cost above that of the regular program.

Task Force research indicated that the state's current weightings do not reflect the average actual cost of special needs pupils. The adequate funding of educational programs for needier students is essential to the achievement of greater equity.

The increase of .10 for PSEN and .10 for LEP students would carry with it a relative cost of approximately five percent of the increase over base plans under consideration, because aid ceilings are adjusted to include the new weightings. Cities, municipally overburdened areas, and Levittown plaintiffs would receive slightly more than $50 per pupil; and rural areas would receive slightly less per pupil.

Alternative Proposal (1B)

> The state should maintain the current proportion of aid devoted to pupils with special educational needs (PSEN) and to pupils with limited English proficiency (LEP).

The existing weights have helped to compensate for the special needs of individual school districts in the measurement of wealth and in the distribution of state operating aid. This recommendation would guarantee that over time the proportion of state aid available for special educational needs remains at least at the current level. It calls for aid levels proportionate to current aid distribution, rather than specific weightings because use of test scores from the new Regents tests may lead to significant changes in the number of students who qualify for PSEN aid.

For the 1982-83 school year, the Regents recommend

the use of data from tests given over a four year period. The Regents have also proposed that the weighting be increased from 0.25 to 0.30. However, even with the partial introduction of active enrollment, PSEN aid is only expected to rise by about $10 million under the Regents proposal--a slight reduction in the percentage of operating aid allocated for pupils with special educational needs.

The research completed for the Task Force relating to costs of pupils with special educational needs was related to the use of PEP tests given in 1974 and 1975. Use of test score data from the new Regents tests may lead to significant changes in PSEN aid levels in future years.

2. Concentrations of Educationally Disadvantaged*

DISCUSSION

Concentrations of disadvanataged children create an educational environment that is costly to deal with. Educators have found that when a significant portion of the class requires additional personal attention, additional resources are needed in order to help children meet minimum standards. In schools where educational deprivation pervades the classroom, the children lack peer support and the educational task calls for more resources, more staff, remedial materials and auxiliary services.

Precedents for the adoption of a concentration factor exist. The federal government recognized that educational need increased in areas where there were concentrations of low-income pupils. Its Title I programs specifically provided that aid entitlement would be related to the percentage of low-income families in the area. Four states, Minnesota, Illinois, Ohio and Pennsylvania, have incorporated a concentration factor into the pupil count for state aid, reflecting the percent of disadvantaged children in a district.

---

*See Statement of Mr. Rubin following Student Needs section.

Currently, in New York State, because aid is distributed in inverse proportion to wealth, and because large city districts tend to look wealthy under the current wealth measure, most districts with concentrations of low-scoring pupils actually receive below-average aid for each special needs student.

RECOMMENDATION (2)

The state should provide an additional weighting for districts with high concentrations of special needs pupils.

To recognize the effect of high concentrations of students with special educational needs on the educational environment, and, consequently, on the cost of remediation, it is proposed that aid be scaled according to the percentage of educationally deprived pupils in the districts. Districts would be aided according to their current PEP percentages if they had fewer than 25 percent low-scoring pupils, but those with more than 25 percent low-scoring would be aided in proportion to their PEP percents, up to a maximum of an additional weight of .45.

3. State Aid for the Handicapped

DISCUSSION

Based largely on a 1978 Education Department study, the legislature streamlined its approach and adopted new weightings for the funding of programs for handicapped pupils in the 1980-81 school aid formula. It eliminated four of the five formulas previously in use; only the formula for the education of handicapped pupils in private schools remained unchanged. The other four formulas were combined into one, with a variable ceiling ranging in 1980-81 from $1,600 to $2,100. Pupils were given additional weightings ranging from a 1.7 to a .13, depending on the type of program they required. Although these new weightings were not included in the regular operating formula for distribution purposes (aid is distributed in a separate formula), they are currently included in the wealth measure in the operating aid formula.

RECOMMENDATION (3B)

The state should pay the approved excess cost incurred by each district for educating the handicapped.

Such cost should be calculated by determining the approved operating expenditure for educating all regular students and the actual cost of approved services for handicapped children above that amount.

The state ought to compensate school districts for services and programs that have been mandated by the state and federal governments and by court orders. This approach would ensure that every handicapped child is identified, evaluated and served in the least restrictive environment without regard to the restrictions of local wealth

This approach would admittedly be "dollar disequalizing" because aid would flow without regard to district wealth; it would, however, be "program equalizing." Because the primary mission of a local school district is the education of children in the regular school program. it shifts fiscal responsibility for these mandated services from the local district to the state.

Because this formula approach is funded without regard to districts' fiscal ability, and is based on the full excess cost, it is likely to be expensive. On the other hand, unlike a classified weighting system, it does not provide built-in incentives to classify students into higher reimbursement programs, because it is fully funded.

The current formula for aiding handicapped pupils has been criticized as discriminatory against districts with heavy concentrations of handicapped pupils because it:

- Adjusts for district wealth, and, since cities' wealth is overstated, it unfairly deprives them of aid.
- Imposes a limit on aidable costs although expenditures for handicapped pupils for the most part are determined by federal and state requirements.
- Has too low an expenditure ceiling.
- Depends on weightings that are estimates of average state costs. These weights understate actual costs for many districts where costs are above average.

- o Establishes a formula for aiding children in exceptionally costly public school programs but makes the formula so restrictive that only about 3,000 children qualify.

A State Education Department survey found that handicapped pupils cost about three times as much to school as the non-handicapped. An estimate for an excess cost plan can be made using a state figure for allowable operating expenditures as a guide and prorating the cost of additional services on a full-time equivalency basis for each of three levels of service--pupils served full-time, pupils in resource rooms, and pupils placed in programs twice a week. On this basis, the cost of an excess cost program was estimated at $560.8 million.*

Alternative Proposal (3A)

The state should streamline the current method of distributing handicapped aid by incorporating the appropriate handicapped weights into both the measure of wealth and distribution of state aid. Such an approach is conditional upon setting the state guaranteed expenditure level at or above the state average.

The current formula is a large improvement over the previous complicated five handicapped formulas, but further changes should be made to simplify the present system and make it more equitable. This proposal would substitute handicapped weightings in the operating aid formula for current categorical programs as recommended by the State Education Department. If the current separate formulas were incorporated into the operating aid formula, and if the present ceilings on fundable programs were raised, to the state median or higher, funding for the handicapped would be much improved and simplified.

---

* Assuming a $2,300 average operating expense, average additional costs for handicapped would be $4,600. This is calculated on the basis of 109,062 pupils receiving the full $4,600; 53,308 pupils receiving 20 percent of $4,600; and 40,657 pupils receing 5 percent of $4,600.

The present ceilings do not provide state aid to help support all costs which districts must provide. Proponents of this approach felt that higher operating aid expenditure ceilings would remedy these problems and assure adequate funding for handicapped pupils.

The additional weightings for handicapped pupils used in present law should be adjusted based on changes from attendance to enrollment in counting pupils. For example, for special class pupils the additional weighting would increase from 1.7 to 2.0.

While this plan would cost almost as much as Recommendation 3B, costs for handicapped education would be shared in a more equalizing manner since wealthy districts would not receive large increases.

4. Single or Dual Formulas for the Handicapped

RECOMMENDATION (4B)

> The state should use the same formulas for aiding the education of handicapped children whether they attend public or private schools.

Prior to several recent court decisions, a majority of handicapped pupils were educated in private schools. While this is no longer the case, the funding formula still reflects the earlier situation whereby the state covered a large share of the costs of private education for the handicapped.

The state now supports pupils placed in private institutions at an 85 percent state share ratio for an average wealth district; it supports handicapped pupils in the public schools at a 49 percent state share ratio. This provides an unintended incentive to school districts to place students in the private institutions.

Alternative Proposal (4A)

> The state should continue to use separate formulas for aiding the education of handicapped children for public and private schools.

In cases where the best, or only, alternative for a handicapped child is a private school placement, the district should be reimbursed for the tuition cost, which is beyond its ability to control.

5. Grade Weightings

DISCUSSION

Grade weightings may be used to reflect the additional costs of operating a program. The state's secondary weighting is an example. Weightings may also be used to stress the need to devote more resources to certain grades. The proposed primary weighting is an example.

RECOMMENDATION (5A)

The state should maintain its present policy of distributing additional aid to certain grade levels through a weighting system.

The use of weights on the pupil count is a good mechanism for distributing additional aid to a targeted group of pupils. It is recommended because it is flexible; it can be adjusted to reflect accurately the cost of educational programs for the particular grade level. Weightings have been applied to the wealth measure and the distribution side of the operating aid formula. Since funds are distributed as part of operating aid, localities may determine how best to develop programs for their particular students.

Alternative Proposal (5B)

The state should not distribute additional aid on the basis of weightings for grade levels.

Added aid for grade levels is distributed through the operating aid formula, with no mandates for supplementary services attached. Therefore, it comes to districts as an extra aid, but there is no guarantee that it will be spent on the student population which generated it.

Because there is a limited amount of state aid available, it should be used for other, more equalizing purposes, for example, to increase expenditure ceilings or weightings for special needs pupils.

6. Primary Education

DISCUSSION

The question of weightings for primary education pivots on whether grade weightings are to be used to encourage spending priorities or to reflect actual costs. State Education Department research was unable to find any significant differences in current local spending between grades K-3 and 4-6.

RECOMMENDATION (6C)

The state should not provide a weighting primary grades (K-3).

There is no financial justification for primary grade weightings.

With the higher ceilings recommended, such weightings could cost the state $100 to $200 million more. Such increases in state aid might be better used on other types of more needy students.

If weightings were to be provided for grades K-3, grades 4-6 would be the only grades not weighted. This is an awkward and nonsensical result, and one which would have little practical distributional effect.

If mandates were to accompany additional K-3 weights, they would hamper local educational decision-making over the running of elementary schools. If mandates did not accompany the new aid, schools would not necessarily improve their early childhood eduction programs.

Alternative Proposal (6B)

The state should provide a weighting for primary grade students (K-3) which should be accompanied by mandates requiring that the new aid be spent on programs designed to improve the basic skills.

Proponents argue that schools should focus on the basic skills in the primary years, for all later attitudes and knowledge are based on what is learned in the first years. Many studies have shown that the earlier learning problems are identified and dealt with, the greater the likelihood of long-term school success.

To encourage and enable schools to emphasize the learning of basic skills, additional state assistance should be provided to districts. This additional aid should be earmarked for identification of learning problems and the development of programs to overcome them. Additionally, it should be used for programs in reading, writing and arithmetic for all primary grade students.

Alternative Proposal (6A)

The state should provide a .25 weighting for primary grade students.

State regulations usually specify that a weighting must be spent on the target population. New mandates should be avoided when possible, and in this case none is necessary.

7. Secondary Education

DISCUSSION

Secondary schools incur higher per pupil expenses. The teachers generally have more advanced degrees and more experience. Equipment and facilities are more costly, and specialized classes must often be smaller, requiring higher teacher-pupil ratios.

RECOMMENDATION (7A)

The state should continue to weight secondary school students (7-12) an extra .25.

The State Education Department estimates that expenditures in grades 7-12 are 20 percent higher than in elementary grades. However, this estimate did not account for certain cost differentials, such as building operation and maintenance, which were not available for the study. The .25 weighting compensates school districts for these extra costs and should therefore not be abandoned.

Since secondary weightings are part of current law, this recommendation has no additional cost. An estimate of the current cost of secondary weights is not available. Its distributional effects are to channel aid to the suburbs, both upstate and downstate, as suburbs have proportionately more secondary school students.

Alternative Proposal (7B)

The state should discontinue the secondary (7-12) weighting of .25.

Aid earned through the secondary weighting is distributed as general aid. As such, the secondary weight is disequalizing because it channels money to the suburbs which, in general, are higher in wealth and have proportionately fewer educationally disadvantaged students than rural or urban areas. When it is removed from the pupil weight substantial progress is made in narrowing spending gaps and diminishing the wealth-related nature of expenditures. As there are about 1.5 million secondary age pupils in the state, this weighting is significant in terms of its redistributional effects.

8. Prekindergarten Education*

DISCUSSION

No state aid is allocated for prekindergarten programs at the present time in the operating formula. A limited amount ($9.5 million) is distributed to districts on a competitive grant basis. It is difficult to estimate how many districts would initiate new programs if more generous aid were made available either as part of the operating aid formula or as a separate categorical program.

RECOMMENDATION (8A)

The state should provide aid for prekindergarten programs as part of state operating aid.

Studies have shown that prekindergarten education has a real and positive effect on the later educational careers of poor children. Indeed, all children profit by educational programs in their earliest years. As an increasingly large proportion of mothers work outside the home, good early childhood programs take on more significance.

---

* See Statement of Corinne W. Stork and Alfred DelBello following Student Needs section.

Education should be provided to children at a time in their lives when the most meaningful learning occurs. Studies have shown that prekindergarten education has an especially positive effect on the later educational careers of poor children. If public prekindergarten programs were available to such children, educational opportunity would be truly enhanced.

A prekindergarten program could cost between $20 million and $200 million depending on the number of districts which elected to participate.

Alternative Proposal (8B)

The state should not provide aid for prekindergarten programs as part of state operating aid.

The state has a limited amount of money available for aid to education. Any increases in state aid should be devoted to narrowing expenditure gaps and complying with Levittown as opposed to initiating costly new programs.

9. Gifted and Talented Education

DISCUSSION

New York State has been slow to develop and support programs for gifted and talented students, but recognition of this special population's unique needs has recently been increasing. In 1979, $750,000, and in 1980, $1.5 million in competitive grants were distributed. In 1981, the Legislature enacted into law gifted and talented aid provisions. It distributed $2.9 million on a $40 per pupil basis for three percent of the student body of each district.

Other states have demonstrated more interest in supporting the special needs of gifted and talented students. For example, California distributes $14.5 million, Connecticut $4.2 million, and Pennsylvania $30 million for gifted and talented programs.

A recent State Education Department study indicated that there were large numbers of gifted children for whom no adequate program existed. It has been demonstrated that gifted students whose learning needs are neglected often become trouble-makers and even dropouts, while gifted children whose needs are met become an important resource for society.

The Task Force believes that the state must provide more support for programs for the gifted and talented. It further believes that the state ought only to provide broad guidelines for the identification of and development of programs for these special students. The responsibility for these policies properly belongs at the local school district level.

RECOMMENDATION (9A)

> The state should institute an equalized state aid formula for gifted and talented pupils, incorporating the first tier operating aid ratio and count based on three percent of a district's pupils.

Aid for the gifted and talented should be distributed on an equalized basis. Districts' ability to support education of any and all kinds should be taken into account when allocating state aid. Meeting the special needs of gifted pupils is as fundamental as meeting the needs of regular pupils and therefore an equalization formula should be used.

Two hundred and fifty dollars is recommended as the amount the state should share in. It represents a modest reflection of the special costs entailed in providing programs for this special needs population.

With a minimum state share of 25 percent and an overall ceiling of $250, $62.50 per pupil would be distributed to the wealthiest districts. This amount is acknowledgement that the state has a responsibility to share in the education of all gifted children, regardless of where they live, and it serves to assure that programs for the gifted and talented will be offered in all districts.

Alternative Proposal (9B)

> The state should continue the current gifted and talented aid formula, using a uniform per pupil amount and a count based on three percent of each district's pupils.

Special programs for gifted and talented pupils are essential to the maintenance of excellence in the state's schools. However, funding for them should be the responsibility of the state and not the local district. Funding for these programs should be increased.

MEMBERS' STATEMENTS

CONCENTRATION FACTOR

Statement of Mr. Rubin:

In considering weightings, it may be argued that the school climate changes drastically as the percentage of disadvantaged children reaches the higher percentages of the total school population.

On the other hand, a large concentration of pupils needing special services may enable organizational and teaching cost economies.

The fact is that there are no hard data on this issue. No figures can be defended on the basis of research.

Therefore, at least for the time being and until real evidence can be discovered, the recommended weightings should be adopted.

PRE-KINDERGARTEN WEIGHTING

Statement of Alfred B. DelBello:

The state has not clarified its policy with regard to the responsibility for pre-kindergarten education. The State Legislature has not amended the education law to include this as a basic educational responsibility. Until such time as the state comes to grips with this issue, with regard to all forms of pre-kindergarten education including handicapped education, current pre-kindergarten programs should be funded on a special grant basis.

Statement of Corinne W. Stork:

The provision of social, cultural, and educational experiences for young rural children is of special importance. The rural child is isolated, deprived of companionship, and denied exposure to other people and other environments.

Statement of Chancellor Genrich:

Willard A. Genrich, Chancellor of the Board of Regents, did not participate in or vote on the Final Report. As Chancellor he will be the presiding officer when the report is discussed by the full Board of Regents before that Board makes its own recommendations. He desires to have the benefit of his Board's discussion of the report before deciding on the issues involved.

Statement of Martin C. Barell:

Mr. Barell voted as a private citizen, not in his capacity as Regent.

Summary of Votes: Student Needs

See the explanation of the voting chart which appears on page 37.

Tally Totals

1. PSEN and LEP: A. 25, B. 7.
2. Concentration: Yes. 21, No. 10.
3. State Aid for the Handicapped: B. 22, A. 10.
4. Single or Dual Formula: B. 30., A. 2.
5. Grade Weightings, General: A. 20, B. 11.
6. Primary Grade Weights: C. 20, B. 7, A. 5.
7. Secondary Weights: A. 20, B. 12.
8. Pre-kindergarten: A. 21, B. 10.
9. Gifted and Talented: A. 25, B. 7.

SUMMARY OF VOTES

II. STUDENT NEEDS

Task Force Member	1 PSEN and LEP	2 Concentrations	3 State Aid for the Handicapped	4 Single or Dual Formula	5 Grade Weightings, General	6 Primary Grade Weights	7 Secondary Weights	8 Pre-kindergarten	9 Gifted and Talented
Rubin, Max J.	A	NO	A	B	A	C	A	A	A
Schuler, Raymond T.	B	NO	A	B	B	C	B	B	A
Amlung, Susan	A	YES	A	B	B	B	B	A	A
Barell, Martin C.	A	YES	B	A		C	A	A	A
Barr, William S.	A	YES	A	B	A	C	A	B	A
Best, Wyoma I.	A	YES	B	B	A	B	A	A	A
Breen, Monsignor Vincent D.	A	YES	B	A	B	A	B	A	A
Corbett, Raymond R.	A	YES	B	B	A	B	A	A	B
DelBello, Alfred B.	A	YES	B	B	B	C	B		A
Dukes, Hazel	A	YES	B	B	A	B	B	A	A
Dullea, Henrik N.	B	NO	A	B	A	C	A	B	A
Freedman, Irving H.	A	NO	A	B	A	C	A	B	A
Genrich, Willard A. (absent)									
Gerber, George	A	YES	B	B	A	C	A	A	A
Gray, Edward F.	A	YES	B	B	B	C	B	A	B
Griffin, James	A	YES	B	B	A	C	A	A	B
Hannon, John W., Jr.	A	YES	A	B	B	A	B	A	A
Hobart, Thomas Y., Jr.	A	YES	B	B	A	B	A	A	B
Klein, John V. N.	A	NO	B	B	A	C	A	B	B
Lawton, C. Mark	B	YES	A	B	A	C	A	B	A
Macchiarola, Frank J.	A	YES	B	B	B	A	B	A	A
Manch, Joseph	A	YES	B	B	A	B	A	A	A
McGuire, Richard	B	NO	B	B	A	C	A	B	A
Miller, Howard F.	B	NO	A	B	A	C	A	B	A
Murphy, Edward J.	A	YES	B	B	A	C	A	B	B
Reynolds, Milton L.	B	NO	B	B	A	C	A	B	A
Robisch, Edwin J.	A	YES	B	B	A	B	A	A	A
Samter, Eugene C.	A	YES	B	B	B	C	B	A	A
Schiff, Dr. Alvin I.	A		B	B	B	A	B	A	A
Shanker, Albert	A	YES	B	B	B	C	B	A	B
Stork, Corinne W.	B	NO	A	B	A	C	A	A	A
Thompson, Eris	A	NO	B	B	A	C	A	A	A
Torres, Magdalena	A	YES	B	B	B	A	B	A	A
Viscardi, Henry, Jr. (absent)									

III. FISCAL CAPACITY

DISCUSSION

New York's tradition of school finance has been one of reliance on local funding in a decentralized state school system. The state shares in a level of spending based on the fiscal capacity of a district. The wealthier the district, the less state aid it receives. Bevond this level what a district chooses to spend depends entirely on local resources.

The state's failure to equalize district wealth more adequately was a fundamental shortcoming pointed to by the Appellate Court. It found that school district fiscal capacity was the primary determinant of the level of school spending. A foremost goal of equalization must therefore be to compensate districts for their unequal capacity to support education. Local wealth should not continue to account for expenditure variations to the extent that it does now.

In its discussion of the main plaintiffs' case the court identified the disparate wealth bases of school districts as the major obstacle to equity. In its review of the intervening cities' suit the court focused on the fiscal capacity of cities, finding that the state discriminates against cities by failing to recognize and compensate for the special needs that diminish the available wealth base of the big cities.

Wealth equalization necessitates the search for an accurate and equitable assessment of fiscal ability. The question of whether ability should be more broadly defined to account for differences in cost and non-education municipal service needs has further complicated this task.

Historically, the gauge of school district wealth has been the value of its taxable real estate, the one base universally available and used to raise local funds for public education. Wealth equalization has been achieved when a standard tax rate yields equal revenues in each district when state and local funding are combined.

When the school aid formula was first devised, property represented the primary source of wealth in the state. In the last three years the state has moved towards the inclusion of income reflecting the influence of income on local spending. In 1981-82 aid based on district income was distributed through the tier two formula as well as through a separate low income supplemental formula.

Research undertaken for the Task Force showed that income per return and residential property wealth were important in determining spending behavior of local districts. However, because residential property wealth data has not yet been separated from total property valuation, the Task Force has considered only those issues pertaining to the use of income.

If personal income is to be used in the wealth measure, two questions arise: how much weight to give it; and how to combine it arithmetically with property. The same study found that income per return was equally as important as property wealth in determining a district's fiscal capacity as measured by actual revenues. Therefore, it was recommended that income should be given equal weight with property wealth. The recommended arithmetic method of combining the two wealth measures was that they be multiplied.

Another problem that pertains to both income and property wealth has to do with the divisor. The divisor is the number by which aggregate district wealth is divided in order to adjust for differing district sizes and service burdens. Demographic characteristics of both student and general populations vary markedly across the state, since the denominator influences the distribution of aid it is potent in the dynamics of the formula.

The school aid formula has always utilized a per pupil wealth measure, weighted for certain special pupil needs, and counted in terms of average daily attendance. The Task Force considered two issues: whether this denominator needed to be changed; and whether the same denominator should be used for both income and property wealth.

1. Inclusion of Income, General*

DISCUSSION

Although property is the primary source of tax revenues for schools, many analysts contend that it, alone, is not a fair measure of a district's ability to pay taxes. Fluctuating property values, the proportion of non-residential property, and inaccurate and non-uniform assessment practices all may diminish the reliability of property wealth as the sole gauge of fiscal capacity.

---

* See Statements of Mr. Rubin and Corinne W. Stork at end of Fiscal Capacity section.

RECOMMENDATION (1B)

The state should use income in combination with property wealth to measure school district fiscal capacity in the operating aid formula.

If districts were composed entirely of residential property, if property was accurately assessed and if current homeowners' incomes were correlated with property values, then assessed valuation would more accurately reflect district wealth. However, assessments are not always accurate and there is not a systematic correlation between income and property wealth.

Homeowners of expensive property do not necessarily have high current incomes. While average property values may be high if a district is viewed in the aggregate, large numbers of low-income persons may reside in low value housing or even in housing whose value has risen disproportionately compared to the income of its residents. Therefore property value alone does not accurately reflect ability to raise tax revenues which are commonly paid out of current income.

The effects of non-residential or commercial property should not be discounted. Most districts contain variable amounts of non-residential property which can diminish the amount of property taxes individuals within a district would have to pay. Since the composition of the tax base is not reflected in the measurement of full property valuation, it reflects neither the true capacity nor the burden of a particular district to generate educational revenues. Income ought to be included in the measure of district wealth to counterbalance some of the inequities which result from total reliance on full property valuation.

The current Low Income Supplemental School Aid (LISSA) provision provides additional state aid to all districts based on their income per pupil. Although the poorer districts receive more low-income aid per pupil than the wealthier districts, this method of incorporating income does not address the overall issue of defining and measuring adequately the fiscal capacity of districts. Furthermore, state aid distributed in this fashion is not necessarily equalizing.

Using an income factor solely in the second tier has been criticized as bad policy. It is the interactive and combined effect of income and property wealth which determines local fiscal capacity. Distributing aid on the basis of either measure exclusively misstates local fiscal ability. Should the state continue its current policy of using the second tier as its primary equalization tool, then property and income ought to be collectively considered in both tiers.

Alternative Proposal (1A)

The state should use full valuation as the only measure of district wealth in the operating aid formula.

Of the over $10 billion spent on education, six billion is derived from property taxes. Thus, since it is the primary source of local educational revenues, property wealth represents the basic fiscal ability of local school districts.

Though full valuation is not a perfect measure of district fiscal capacity, there are similar technical and administrative problems with income. Even in the definition of personal income there are inconsistencies. Currently three different official definitions measure income differently.* Each definition would have important distributional ramifications if used in an education finance formula. Also there are problems associated with the income data as it is currently collected and coded.

Taxable personal income represents less than 70 percent of the state's total personal income. Many analysts believe that it does not sufficiently reflect income wealth. Because personal income is a function of the definition used, an inappropriate definition might adversely affect the amount of operating aid a district will receive.

Property tax revenues are also a more stable source of funding. Because the income-generating capacity of individuals, households, or families is affected by inflation and the economy, any reliance on income as a measure of ability would also subject educational budgets and programming to additional fluctuations beyond those now encountered.

Alternative Proposal (1C)

The state should use income in combination with property wealth to measure school district fiscal capacity in the operating formula for only those districts that would benefit from it.

---

* 1) U.S. Bureau of the Census: defines income to include: wages, salaries, interest, dividends, public, private pensions, and all other monetary income sources.
2) New York Department of Commerce: monetary income prior to income and other direct personal income tax deductions exclusive of Social Security, and government pensions. Also includes non-monetary income.
3) New York Taxation Finance: includes monetary income prior to income and other direct personal income tax deductions, Social Security and government pensions.

The purpose of using an income measure is to recognize that full property valuation does not exclusively measure local ability or willingness to support education. Yet there must be a recognition of the imperfections that also exist in the use of income wealth measures. Districts must be protected against this potential problem.

Since income cannot be directly taxed by school districts, it should only be used as a beneficial factor which recognizes the property-tax-paying problem in low-income districts. It should not be used as a detrimental factor which might ultimately lead to higher property taxes among those least able to pay.

The fiscal capacity of districts is equalized when the property-poor/income-poor receive the greatest amount of state aid and the property-wealthy/income-wealthy receive the least. For these districts the inclusion of income does not create a problem. However, including income in the measurement of wealth blurs the two categories in between: income-poor/property-wealthy; and the property-poor/income-wealthy. Because both are disadvantaged on at least one measure, inclusion of income will help one group of districts and disadvantage the other.

2. Inclusion of Income - Method

DISCUSSION

Currently, the state operating aid formula utilizes income as the measure of wealth in the second tier only. If income were to be used throughout both tiers, as has been recommended, the alternative methods of combining the two affect the distribution of state aid.

RECOMMENDATION (2B)

Income should be used to adjust property wealth multiplicatively.

A multiplicative income factor is a more effective expenditure equalizer than other approaches. It targets more aid to low-wealth districts and less aid to the higher-wealth districts. Because income is a good predictor of district spending, this method also targets more aid to low spending districts. A multiplicative factor will reflect greater relative differences in a composite wealth measure: it will make wealthier districts appear twice as wealthy and poorer districts twice as poor as an additive measure would make them appear.

This method is more effective in breaking the link between property wealth and expenditures. The power of a multiplicative factor rests both with its expenditure equalizing capacity and its ability to target aid directly at the most impoverished district.

Unlike an additive factor which averages the two wealth measures together, a multiplicative method has a "multiplier" or magnifying effect. Therefore, while an additively combined income and property wealth factor will always fall between the two, a multiplicative factor will not.

Alternative Proposal (2C)

Income and property wealth should be used separately in separate formulas or formula parts.

Income is already reflected in the distribution of state aid. As of 1981-82, $2.7 billion for the operating aid formula will be distributed on the basis of district property wealth per pupil in the first tier, while $196 million will be distributed on the basis of district income per pupil in the second tier.

A second, albeit smaller, role given to income as an equalizer of district wealth, is the supplemental income formula. Enacted in 1980, it will disburse another $28 million in aid to the districts based solely on their income per pupil relative to state average income per pupil.

Because of the technical procedures associated with the use of unaudited taxable income data and because income taxes are not used locally to generate school district revenue,

confining the use of income to a modest low-income aid formula will generate the fewest long-term equity problems.

Those who oppose combining income with property feel that the current use of income per pupil as the measure of fiscal capacity, especially in the second tier, sufficiently targets state aid to income poor districts.

Alternative Proposal (2A)

Income should be used to adjust property wealth additively.

A multiplicative factor redistributes considerable sums of state aid in a manner that could be disruptive to the fiscal stability of local school districts. Because it magnifies the measure of wealth, its use is difficult to justify. An additive measure adjusts for income wealth sufficiently.

3. Inclusion of Income - Extent

DISCUSSION

Whether used additively or multiplicatively, the income factor can be weighted to give it more or less importance relative to property wealth. The current system of using income in the second tier, in effect, weights income about 18 percent.

RECOMMENDATION (3A)

Income and property wealth should be given equal roles (50:50) in accounting for local fiscal capacity.

Income plays a critical role in a local district's determination of what it can afford. In fact, research for the Task Force shows that its importance is second only to property wealth in predicting per pupil expenditure levels.*

In New York State, unlike many states, there is little congruity between the income of a district and its property wealth. Therefore, using income and property equally would counterbalance the effects of high property wealth in districts with low income.

---

* See E. Kathleen Adams, The Fiscal Capacity of New York State School Districts, Education Commission of the States.

Proponents argue that the data difficulties of measuring income have been overstated, and that it is a reliable source of data. In fact, income reports (in the form of tax returns) may be more accurate and uniform than assessments which are based on appraisals that (1) may be decades old (2) may not have required an on-site inspection (3) may not have been conducted by a professional appraiser and (4) in the case of apartment buildings, have more to do with the income-producing power of the property than with the wealth of the residents.

Alternative Proposal (3C)

Income should account for 10 percent and property wealth 90 percent in the measurement of local fiscal capacity.

Personal income does not represent the same proportion of taxpaying ability in every school district. In a district whose taxable property wealth is entirely residential, almost all school taxes are paid from the income of residents. Here, a wealth measure which substantially weights income would be appropriate. However, in a district whose taxable property wealth is industrial, a considerable portion of the property taxes may be paid by non-residents. These taxes are shifted to consumers in the form of prices paid for goods and services. Too heavy a reliance on personal income in this instance results in an inappropriate, lower measure of wealth. Therefore weighting income equally with property in both districts without recognizing differences in the composition of the tax base would build new inequities into the formula.

For purposes of measuring district wealth, personal income can be used as an indicator of the ability to pay property taxes on residential property, while in commercial and industrial areas more of the taxes are paid, not from the incomes of district residents, but by the customers. Taxes on vacation or seasonal homes are also paid by non-residents. Thus the only reasonable estimate of true tax-paying ability is residential properties including apartments. However, until such time as residential property value data are available, the state should not rely too heavily on income.

4. Appropriate Denominators*

Another important fiscal capacity issue is the selection of an appropriate denominator. In selecting the denominator,

---

*See end of Fiscal Capacity Section for Statement by Mr. Rubin.

the Task Force considered what would be the appropriate unit with which to measure the resources of a community.

The current denominator is based upon pupils in average daily attendance weighted for several special needs including handicapped, PSEN and secondary school pupils. Two major recommendations for changes in that count have been discussed in prior sections of this report; an enrollment count and increased weightings. The Task Force considered an entirely different denominator as well--one based on population that draws its financial resources from a tax base shared with the school district. Changes of denominator were considered for both the income measure and the property measure.

RECOMMENDATION (4B3)

> The state should measure district fiscal capacity on the basis of the total service task or burden of the district. Therefore a population measure should be used, i.e., a per capita denominator, for both property and income measures.

The current fiscal capacity measures do not recognize the overall public services a community must provide resulting in an inaccurate assessment of fiscal capacity. To move toward a new measure of district wealth and continue to base it on pupils, would be inappropriate.

Advocates of a per capita fiscal capacity measure argue that such a measure should not be a function of demographic happenstance. Cities do not attract large families while suburban areas do. This means that cities have a smaller ratio of pupils to population thereby giving cities a smaller share of state aid. This disadvantage is irritated by the fact that cities educate the majority of the state's educationally disadvantaged. As a result, cities receive less state aid per pupil to educate these students. Increasing the weightings for disadvantaged students will not rectify this inequity, such proponents claim.

Both large and small cities, Hurd-affected districts, municipally overburdened districts, the Levittown plaintiff districts and rural areas would benefit from a per capita district wealth measure whether it was income or property. Suburbs, however, are usually disadvantaged by a per capita denominator.

Alternative Proposal (4A3)

> The state should measure district fiscal capacity solely on the basis of the education burden or service requirements of the districts. Therefore, a pupil count weighted to reflect special need populations should be used as the denominator in aid formulas.

It has been the policy of New York State to distribute state education aid on the basis of student and financial needs. Since the introduction of equalization formulas, the standard measure of school district wealth in New York has been real property full value per pupil. If the state departs from its current method of distributing second tier and low-income aid to a combination measure of income and property wealth, it should continue to use the per pupil count. Not only must the denominator be consistent but it must also reflect the population served.

Financial capability for educational finance ought to reflect the demands upon its fiscal resources. This can be best estimated by using a pupil measure weighted to reflect special needs.

Continuing to use per pupil denominators in the measurement of fiscal capacity will avoid drastic shifts in the current distribution of state aid. The current measure advantages some suburban and rural areas where the number of school-age children is higher relative to the total population than in either large or small cities. The fiscal advantage of a pupil measure is most pronounced among upstate suburban areas. Not all suburban areas are advantaged by a per pupil denominator. Some of the Levittown plaintiff districts appear more wealthy on a per pupil measure than on a per capita basis.

Alternative Proposal (4C2)

> The state should measure district fiscal capacity on the basis of the tax-paying unit--the best available proxy for decision making units in the district is a per income-tax-return measure.

The research completed for the Task Force has shown that income based on households, as measured by the number of state income tax returns, was the most powerful income determinant in explaining differences in local education revenues.

There are other reasons for using a household based wealth measure. The household or family is the decision making unit and as such should not be ignored when determining the most accurrate reflection of ability to pay. While cities have proportionately more population and suburbs proportionately more pupils, the relative proportions of households are more evenly distributed across the regions of the state. Therefore, a household measure is probably the least susceptible to demographic happenstance, and therefore the most fair for all jurisdictions.

Census data do not contain the number of households by school district. However, New York State income tax returns, which now require indication of resident school district, represent an acceptable proxy for households.

MEMBERS' STATEMENTS

USE OF INCOME

Statement of Mr. Rubin:

The attractiveness of the use of income in measuring education wealth is the assumption that school taxes are paid out of income and that, therefore, the use of income as an adjustment of wealth is warranted.

But very important is the fact that personal income represents a greatly variable fraction of the taxpaying capacity of districts.

In a district whose taxable property consists entirely of year-round residences, substantially all school taxes are paid from the income of residents. However, in a district where most taxable property is industrial, only a small portion of property taxes is actually paid from the residents' personal income. Most such taxes are shifted to the consumers of the industrial products. Weighting income uniformly in both districts, without recognizing this variation, especially if such uniform use is so large as substantially to exaggerate the effect of personal income in "lowering" the taxpaying capacity of the industrial district, would build into the formula new and serious inequities.

Also, taxes on vacation and seasonal homes are paid from the incomes of the mostly non-resident owners or outside seasonal renters of such homes and not from the incomes of district residents.

For a reasonably accurate estimate of the portion of the taxpaying ability of a district represented by the personal income of its residents, it is necessary to know the portion of the full property valuation of the district represented by residential property, including apartments. Unfortunately, this information is not available now, although it may become so in the future. If and when such information is developed and available, the use of income as a major factor may well be reconsidered.

The consequences of the use of income may produce unintended results. Last year, for the second tier, income was substituted for property. This change produced the result that 219 districts would have to levy an equalized tax greater than $14.16 per thousand for the

support of an expenditure level of $1885. Of these 219 districts, 159 are below average in income wealth, 194 are below average in property wealth, and 175 have a below average per pupil expenditure level.

147 of the 219 fall below the State-wide average on all three criteria.

It has been thought that the inclusion of an income measure would benefit the rural districts. Yet, of the non-city, upstate districts, those districts benefiting from income represent less than half of the students residing in these rural districts. Thus, although unintended, the results have not been favorable to a solution of the problems of rural districts.

USE OF INCOME

Statement of Corinne W. Stork:

Although I realize that the income factor is one that should be used, I do not believe that income has been researched thoroughly enough to be listed with a percent.

PER CAPITA VS. PER PUPIL

Statement of Mr. Rubin:

In determining fiscal capacity of a school district under an education aid formula, it is necessary to keep in mind that we are considering "educational wealth" as distinguished from general wealth.

A single illustration will suffice. If school District A and B have an identical total population and identical district wealth (whether determined by property or income or both), their wealth by definition is identical but, if in the total population, District A has twice as many pupils attending public school as has District B, District A has only one-half of District B's educational wealth.

District B can provide the same education expenditure per child as District A with only half the local tax effort. District A must tax itself twice as heavily as District B to raise the same amount of education revenue per child.

Thus, to determine wealth or fiscal capacity for public education purposes, per capita, by including non-enrolled adults and infant children, distorts the pupil count.

The suggestion has been made that a compromise would be to determine wealth per capita on the revenue side and per pupil on the distribution side. But this is no compromise. Of course, education funds are distributed per pupil. They cannot be distributed to non-pupils. The only side that matters is the revenue side. And unless we measure that by the number of pupils being educated, we are playing Hamlet without Hamlet.

Statement of Chancellor Genrich:

Willard A. Genrich, Chancellor of the Board of Regents, did not participate in or vote on the Final Report. As Chancellor he will be the presiding officer when the report is discussed by the full Board of Regents before that Board makes its own recommendations. He desires to have the benefit of his Board's discussion of the report before deciding on the issues involved.

Statement of Martin C. Barell:

Mr. Barell voted as a private citizen, not in his capacity as Regent.

SUMMARY OF VOTES: FISCAL CAPACITY MEASURE

The chart shown on the next page presents member votes on the four fiscal capacity issues. Each of the recommendations previously discussed carries a letter code which corresponds with the voting chart.

Tally Totals

1. Income, General: B. 21, A. 8, C. 3.
2. Income, Method: B. 19, C. 4, A. 1.
3. Income Extent: A. 18, C. 7.
4. Denominator: B3. 19, A3. 12, A1,C2. 1.

SUMMARY OF VOTES

III. FISCAL CAPACITY MEASURE

Task Force Member	1 Income, General	2 Income, Method	3 Income, Extent	4 Denominator
Rubin, Max J.	A			A3
Schuler, Raymond T.	A			A3
Amlung, Susan	B	B	A	B3
Barell, Martin C.	B	C	A	B3
Barr, William S.	B	B	A	B3
Best, Wyoma I.	B	B	A	B3
Breen, Monsignor Vincent D.	A	B	C	B3
Corbett, Raymond R.	C	B	A	B3
DelBello, Alfred B.	B	B	A	A3
Dukes, Hazel	B	B	A	B3
Dullea, Henrik N.	B	B	A	A1, C2
Freedman, Irving H.	A			A3
Genrich, Willard A.				
Gerber, George	B	C		B3
Gray, Edward F.	B	B	A	B3
Griffin, James	B	B	A	B3
Hannon, John W., Jr.	B	B	A	B3
Hobart, Thomas Y., Jr.	C	B	A	B3
Klein, John V. N.	B		C	A3
Lawton, C. Mark	A			A3
Macchiarola, Frank J.	A	B	C	B3
Manch, Joseph	B	B	A	B3
McGuire, Richard	B	C		A3
Miller, Howard F.	A			A3
Murphy, Edward J.	B		C	A3
Reynolds, Milton L.	C	A	C	A3
Robisch, Edwin J.	B	B	A	B3
Samter, Eugene C.	B	B	A	B3
Schiff, Dr. Alvin I.	B	B	A	B3
Shanker, Albert	B	B	A	B3
Stork, Corinne W.	A	C	C	A3
Thompson, Eris	B		C	A3
Torres, Magdalena	B	B	A	B3
Viscardi, Henry, Jr.				

IV. OVERBURDENS

DISCUSSION

The plaintiffs-intervenors' suit identified certain disadvantages and extraordinary conditions as "overburdens" suffered by city school districts. Previous sections of this report presented the recommendations of the Task Force pertaining to absenteeism and concentrations of pupils with special educational needs. In this section, the remaining two "overburdens" will be discussed: municipal overburden and cost overburdens.

Unique conditions or circumstances that impose higher costs on a district or that drain its resources need not be thought of as only an urban phenomenon. Often the fiscal burdens shouldered by urban areas also exist in densely populated or older suburban districts. Furthermore, other unique overburdens have been found in many rural districts. Though these were not part of the Levittown suit, the Task Force proceeded on the conviction that the funding system must be considered comprehensively, and that redressing some inequities, but not others, would not fulfill its responsibility. Therefore, Task Force study of overburdens has not been confined to the four intervening city school districts.

1. Municipal Overburden*

DISCUSSION

The contention that certain communities, especially large cities, have substantially greater public service needs, and correspondingly higher tax burdens is irrefutable. The fiscal interdependence of urban school districts with their municipalities is also unquestionable. In the case of the five largest city districts, this relationship is cemented by a legally dependent status. However, it is difficult to determine how

---

* See Statement of Mr. Rubin at end of Overburden section.

the fiscal disadvantage suffered by school districts with exceptionally great municipal service needs affects the level of school funding. What can be determined is the fact that some overburdened municipalities must devote proportionately more revenues to noneducational municipal functions than others . The courts identified municipal overburden accordingly.

The Appellate Court found municipal overburden to be "at the root of the intervenor's fiscal problems." It pointed out that four intervenors spent only 28 percent of their tax revenues on education while jurisdictions outside the cities were able to spend 45 percent.

Research completed for the Task Force analyzed all school districts in the state, not just the four intervenors. It found that residents of urban areas and certain older, densely populated suburban areas do indeed shoulder the most severe tax burdens for both education and other services. A follow-up study was designed to determine whether the higher tax burdens found in characteristically urban areas, were voluntary or inexorable. That is, whether they resulted from a 'taste' for more services. Inexorability, another symptom of municipal overburden, was identified largely in urban areas where the service needs of the population are the greatest.

One final 'condition' typically associated with municipal overburden was not uncovered. Task Force research did not disclose a systematic relationship between higher noneducational tax burdens and a lowered tax effort or yield for education. Those communities with inordinately high noneducational tax burdens also had higher than average burdens for education.

The Task Force was unanimous in its recognition that the special needs of cities, counties, and various municipal governments should be addressed.

However, several questions remained. Should municipal overburden be addressed within the school aid formula because it diminishes fiscal capacity to support education, or should it be addressed through direct state assistance to municipalities? And, if municipal overburden is to be addressed in the school aid formula, what should be the measurement of need and how should it be incorporated into the formula?

RECOMMENDATION (1A)

> The state should adjust the present measures of fiscal capacity--i.e., property wealth and income wealth--by a municipal overburden factor. Such an adjustment should include one or a combination of factors such as population density or the percentage of the population living in poverty.

The Levittown intervenors' argued that the wealth measure used in the education finance formula does not recognize the inexorable drain on local wealth and the high non-school tax burden caused by the service needs associated with population density and concentrations of poverty. Instead, the current measure assumes that the same portion of the local tax base is available to support schools in cities as in other districts. In doing so, the fiscal capacity of these districts is overstated thereby depriving them of aid. A reasonable adjustment, then, is a proportionate diminution of their measured fiscal capacity in the operating aid formula.

Two of the most outstanding factors associated with, or identifying, municipal overburden, are a high ratio of nonschool to school tax burdens and a large population living in poverty.

An index incorporating these two factors has been developed which can be applied to the wealth measure of each school district. Districts with lower values would not lose aid, but the wealth of those with high ratios and large poverty populations would be appropriately diminished and they would receive more state aid.

The tax ratio factor is self-adjusting, so that if a city were relieved of portions of its tax burden, its indicator would automatically decrease and its aid would be cut proportionately.

If the value of this adjustment is scaled to 25 percent, so that no district's fiscal capacity measure would be reduced by more than 25 percent, it would cost $400 million. Under this approach, no district loses aid and 360 districts benefit for an average increase of $75 per pupil. This adjustment could be further scaled.

Alternative Proposal (1D)

> The state should not incorporate a municipal overburden adjustment within the school aid formula. The needs of the areas found to have municipal overburden should be addressed through state assistance programs for cities, counties and various municipal governments.

An educational finance formula is not, according to proponents of this position, the appropriate place to address the needs of cities, counties, and various municipal governments. Furthermore, they suggest that a valid definition of municipal overburden has not been developed. It is also impossible to determine in which school districts municipal overburden is a problem and more important, whether the concept has any relevance to educational finance.

Moreoever, the degree to which municipal overburden, however defined, affects education, has yet to be proven. What is known is that areas with inexorable service needs tax themselves at much higher rates than do other areas. However, when tax rates were high for essential non-education services, correspondingly high tax rates were found for education. The original concept of municipal overburden posited that its presence was felt when localities responded by reducing spending for education.

Beyond the problem of defining municipal overburden, the task of designing a satisfactory method that compensates for or recognizes its effects has been difficult. Proxy measures such as poverty and density are available, and their link to taxation overburden has been quantified. Yet as proxy measures they neither precisely reflect municipal overburden nor belong in an educational finance formula.

Therefore, the needs of areas with significantly larger service needs, and/or high tax rates, should not be considered within the purview of educational finance. The symptoms identifed strongly suggest that some localities are suffering from budgetary constraints which result in higher rates of taxation. There is an urgent need to examine the difficulties of providing

necessary services in areas where the population cannot sustain the necessary rates of taxation. The high local tax burdens unearthed in Task Force studies suggests that the state must examine new methods of funding and providing public services in overburdened municipalities.

Alternative Proposal (1C)

> The state should develop a separate categorical aid program to assist school districts with the characteristics identified as resulting in municipal overburden. A municipal overburden index includes such factors as property density, population, tax burden and percentage of population living in poverty.

This proposal would give municipal overburden aid directly to school districts, but would provide this aid outside of the regular operating aid formula.

A categorical approach is a simpler method of providing aid to districts suffering from municipal overburden. Because the precise causes and effects of overburden are difficult to measure and because adjustments of the fiscal capacity measure must constantly be updated, a categorical aid program may be preferred.

The legislature can choose the level of the categorical grant. Under one proposal eighty-nine districts were identified by Task Force researchers as municipally overburdened of which 48 districts qualify. Aid is distributed based on a $10 per capita grant, for a total cost of approximately $100 million.

2. Qualifying Districts

DISCUSSION

The Task Force considered two approaches for determining qualification for municipal overburden aid. Each involves first defining, measuring and developing a municipal overburden index. One method would distribute aid to all districts with large poverty concentrations, and high nonschool to school tax rates.* The second

---

* See Joel Berke, et al, Implementing the Urban Mandate of Levittown v Nyquist: An Analysis of Alternative Approaches to Compensation for Municipal Overburden in the New York State Aid Formula.

method would use seven identifying characteristics in order to qualify districts for aid.* Aid is distributed only to the restricted number of districts according to either index. Task Force members who believed that municipal overburden ought to be addressed in the formula preferred the first method.

RECOMMENDATION (2A)

The state should provide additional compensation to all districts whose socio-economic characteristics qualify them for municipal overburden aid.

While the court found municipal overburden only in the four intervening cities, it was given data only on the four cities. The characteristics identified as causing overburden apply to other districts as well. Application on a statewide basis is logical and fair.

One method of determining qualification for municipal overburden aid was based on an index consisting of socio-economic characteristics associated with high inexorable tax rates. This index would include factors such as income and residential property mix, population and property density, poverty and costs. It identified 89 districts, including 34 of the states' city school districts and 55 non-city districts as eligible candidates. As the overriding majority of the population affected by municipal overburden reside in the Big Five cities, the costs of including other districts are relatively insignificant.

The method chosen by the Task Force was based on two characteristics: poverty concentrations and the ratio of nonschool to school tax burdens. Under this approach 360 districts qualify for municipal overburden assistance.

---

* See Jerry Miner and Seymour Sacks, A Study of the Adjustments In the New York State School Aid Formula to Take Account of Municipal Overburden.

3. Cost Factors*

DISCUSSION

Research conducted for the Task Force, as well as several previous studies, indicate that the purchasing power of the educational dollar is unequal throughout the state. The same amount of money will not buy the same package of educational resources in every district. This issue was raised by the Levittown plaintiffs-intervenors and the courts affirmed that the present system's failure to recognize the unequal purchasing power among districts is a source of inequity for the four intervening cities.

The research found wide differences among regions and districts. For example, costs were approximately 20 percent higher in the New York City-Putnam-Rockland Westchester labor market area than in several upstate labor market areas. Costs were higher in upstate central city school districts than in surrounding suburban and nonmetropolitan districts.

The research revealed that education cost differences were caused by factors beyond those that influence simple cost-of-living differences, though these were important too. Also, differences in cost go beyond those associated with providing high-cost programs to special student populations.

Cost differences may be seen as influencing either the fiscal capacity of a district or as affecting the value of the aid distributed to each pupil. Therefore, cost adjustments may be applied to either side of the operating aid formula. Another alternative is to adjust the expenditure ceilings for all aid or for services particularly susceptible to price variations.

RECOMMENDATION (3C)

The state should use a noneducational cost index, such as a county public sector wage index or a cost of living index, to adjust for the varying costs of providing education in the state.

---

* See Statement of Mr. Rubin at end of Overburden section.

The Levittown mandate is to equalize educational resources in New York State's school system. Adjusting the aid formula to recognize the cost differences across the state would result in more equal educational resources. Although costs are generally higher where wealth and spending are higher, a cost adjustment diminishes the expenditure gap and the wealth-related nature of expenditure disparities. It does so by providing additional aid to high-spending, below-average wealth districts. While some higher wealth districts also receive increases, proponents argue that they are not so significant as to worsen the overall inequities of the system as is widely believed.

An adjustment based on a county public sector wage index or a cost of living index is to be preferred to the cost of education index developed for the Task Force, primarily because the former is less susceptible to misunderstanding, challenge and technical manipulation. Both measures of noneducational cost differences are widely published and generally accepted. A cost of living index would, however, have to be developed for several regions of the state.

The public sector employee wage index already exists. This index indicates the same trends as the cost of education index. When applied to the school aid formula, it makes progress in both narrowing expenditure gaps and diminishing wealth-related spending links.

The Task Force recommends a scaled down version of the public sector wage index. Without any adjustment, this index would cost between $900 million and $1.25 billion when applied to the formulas recommended by the Task Force. The downstate suburbs would have their state aid increased. With the exception of Syracuse and Buffalo, large cities, districts with urban characteristics, and the Levittown plaintiffs, also realize substantial increases while Hurd-affected districts are not necessarily aided by it.

These cost indices have been designed so that districts receive additional aid for above average costs, but none is penalized for an index value below the statewide average. Its total cost can also be scaled down to distribute smaller amounts of aid in the same proportions.

Alternative Proposal (3B)

> The state should not directly address the issue of cost differences through a district or regional adjustment. However, cost differences should be considered when establishing state aid expenditure ceilings and other educational formulas affected directly by regional price differences.

Those Task Force members who do not favor a cost adjustment feel that high education delivery costs do not disadvantage districts sufficiently to merit special treatment. High cost areas of the state tend to provide the highest levels of services. Districts in lower cost regions of the state often do not provide levels of service equivalent to those of their higher spending counterparts. Thus cost adjustments would not achieve the goal of reducing service disparities among school districts, rather it would tend to increase such disparities.

A major reason for introducing a cost factor into the formula would be to comply with the court findings introduced by the urban intervenors in Levittown. While any of the proposed regional cost adjustments would benefit the large cities the downstate suburbs tend to benefit proportionately more by their inclusion in a school aid formula.

The cost of education index has shortcomings. Calculated on the basis of salaries, it would necessarily require adjustment from time to time. These adjustments would be based on the extent to which average salaries increased across the state. Regions providing the largest increases in employee salaries would be the primary beneficiaries. In the long run the cost of education index would probably tend to increase disparities in salary levels between low and high salary areas of the state.

A noneducational cost index identifies the same higher wealth and spending regions as having higher costs. It would thus distribute additional aid similarly to the education-based index. It would also deprive lower wealth regions and upstate cities of additional aid they might have received through other formula factors.

Cost differences nevertheless do exist. There are preferable ways of addressing them. The percentage equalizing formula tends to distribute more aid to school districts in the above-average expenditure regions. Increasing the expenditure ceilings as recommended by the Task Force would sufficiently compensate districts for higher costs.

Currently other formulas reflect regional cost differences and result in more aid going to high cost regions. Transportation, BOCES and excess cost aid are the best examples. These cost related formulas are preferred because they provide more aid to districts where costs are higher for particular services.

Alternative Proposal (3A)

> The state should incorporate into the formula the cost of education index developed by the Education Commission of the States to adjust for the varying costs of delivering educational services.

Task Force researchers developed a cost of education index which attempts to measure the uncontrollable educational cost differences. The index was developed for all districts and on a regional basis. It is based entirely on predicted labor costs which account for approximately 75 percent of the district budget. Compensating districts for higher school personnel salaries might drive wages artificially high even though the index attempts to avoid this outcome by basing predicted costs on uncontrollable factors.

However, since personnel is a determining factor, using prevailing labor costs is a legitimate tool for approximating the cost of education.

Although the structure of the cost of education index is controversial, its results closely reflect differences in cost as measured by other published and well-known sources for noneducation cost data. The index was developed using standard economic methodology which identified the impact of factors beyond the control of local school districts.

The index could be used to adjust the expenditure ceilings of the equalization formula, to modify the state aid per pupil or to adjust the fiscal capacity measure.

Its cost would vary depending on expenditure ceilings and on whether it was used to adjust the fiscal capacity measure or the level of state aid. It would cost between $320 and $380 million when applied to formulas under Task Force consideration. When used as a fiscal capacity modifier, the index is less costly by roughly $30 to $80 million, depending on expenditure ceilings.

Districts with above average expenditures benefit substantially from the inclusion of a cost index regardless of application, while below average expenditure districts do not share in the additional state aid generated by this adjustment.

4. Rural Overburden*

DISCUSSION

Rural schools, unlike most schools in New York, must contend with two problems: small size and geographic isolation. These unique characteristics have led to financial burdens different from those in urban or suburban areas but they are nevertheless real. Research completed for the Task Force found that although rural districts have been characterized as low-taxing and low-spending, they are not necessarily low-effort. Residents of rural districts spend a higher percentage of their income on education than do all other districts. Additionally, while instructional expenditures are lower in rural districts, transportation and BOCES expenditures are higher. Thus the widely held belief that rural districts do not make a substantial tax effort to support education is erroneous. It is based on traditional measures of property tax effort and incomplete analyses of all expenditures. These traditional analyses mask the financial burdens that rural areas must shoulder.

Another important research finding revealed that in spite of the lower instructional expenditures, rural districts have higher teacher-pupil ratios. The educational disadvantage in rural schools stems from the fact that districts with small tax bases must contend with the burden of financing small class sizes. This has resulted in the employment of few non-teaching professionals, the maintenance of low teachers' salaries, few incentives for professional advancement and heavy use of low-salaried professionals.

---

* See Statement of Corinne W. Stork at end of Overburden section.

The effect of these trends has been that a higher percentage of students in rural districts fall below the state established levels of minimum competency. Declining enrollments, in these already small school districts, exacerbates these burdens.

The Task Force unanimously recommends that the unique disadvantages and burdens experienced by rural school districts of low wealth, small population and large geographic area be recognized in the state aid system.

RECOMMENDATION (4A)

The state should develop a rural adjustment, preferably in the form of a weighting, that would be part of the operating aid formula. It could be applied to the pupil count alone or to the wealth measure. Such an adjustment would provide additional aid to a set of low wealth rural districts experiencing unique fiscal and educational disadvantages.

The recommended weight would vary inversely with a scale developed for the Task Force which identifies sparsely-settled, small, low wealth districts.* The scale includes 106 rural districts where pupil populations are under 1080 and where fewer than 23 pupils reside per square mile. A weight of .25 for the smallest eligible district is recommended. Its magnitude would diminish the larger the district, reaching zero value for districts with more than 1080 pupils.

When applied to the state aid plans recommended by the Task Force, this adjustment would cost between $7 and $15 million depending on the plan it was applied to and whether the weighting was used exclusively in the distributional formula or in the wealth measure as well. The average per pupil increase in the eligible districts would be roughly $40 per pupil.

---

*See David Monk, Kenneth Strike and Frederic H. Stutz, Potential Effects of the Overburden Argument in the Funding of Rural Schools.

Alternative Proposal (4B)

> The state should provide financial incentives for small districts to consolidate their offerings, operate selected programs jointly, and share in the provision of selected services. This would enable rural districts to enrich educational programs and expand opportunities in an efficient manner.

Two approaches are recommended here, but others may also be developed.

Participation in BOCES: The state should provide increased financial incentives for small, low wealth districts to participate in BOCES programs. The incentives should only be made available to low wealth districts of less than 1500 pupils. They should include an increase in the number of BOCES' regional service centers in sparsely settled regions and an expansion of the range of services for which small, low wealth districts receive BOCES aid.

Reorganization: The state should provide increased financial support for the research and development of new approaches to the partial reorganization of school districts. School districts should be able to obtain financial support for a willingness to experiment with alternative approaches to consolidation. An experimental resource sharing arrangement at the secondary level that makes use of existing facilities but involves transporting students and professional personnel across district boundaries is an excellent example of the kind of partial reorganization this proposal could stimulate.

MEMBERS' STATEMENTS

EDUCATION COST

Statement of Mr. Rubin:

One of the four overburdens which the Court found affects the cities which intervened in the Levittown case was the diminished value of the urban dollar due to higher costs of education in those cities.

It is undoubtedly true that the cost of things and services varies among the areas of this State.

Therefore, our chief research team, the Education Finance Center of the Education Commission of the States, undertook a major study of a possible cost of education index.

They rejected the use of a cost of living or a consumer price index. The reason was that in these indices a very large number of items are put into a basket and then averaged. But the great majority of these many items are entirely unrelated to education and therefore do not constitute an accurate index of education costs. (Incidentally, the maintenance of such indices would be extremely expensive.)

The researchers thereupon undertook to develop a formula which would better reflect differences in education costs among school districts and among regions within the State. They used as the basis for determining variations in costs the predicted average compensation of teachers and administrators based upon experience and training. The state of the art respecting this type of formula is in its infancy and it is therefore no reflection whatever upon the research team that their suggested cost of education index proves vulnerable.

In the first place, the methodology involved in structuring such a cost of education index is extremely complex, based upon a number of highly technical elements. The researchers frankly state that the mechanism would be difficult for any except a trained economist to comprehend. The type of index structure which they submitted to our Task Force has also been offered to several other states, and it is not without significance that no state has adopted such index.

The methodology employed has several weaknesses.

It is true that the compensation of teachers and administrators constitutes 60% to 70%of school budgets generally. But this leaves 30% to 40% of education costs totally ignored.

The calculation of cost of education differences is based upon unsubstantiated assumptions which are matters of disagreement among the experts in the field. For example, it is assumed that all differences in salaries paid based on training and experience are totally determined by local taste, and that all other differences are totally based on uncontrollable factors. Had the calculations been based on alternative and equally plausible assumptions, the results would have been quite different.

Aside from methodology, there is another unintended but serious flaw in this index for adjusting education costs. The increased cost for the State and districts resulting from the use of this index is between $325 and $350 million. The vast bulk of this sum would go to districts which are above average in wealth (however measured) and educational expenditure. It would not go to the poor and low-spending districts.

The courts have found that a serious constitutional defect in the present aid formula is the wide disparity in educational wealth and expenditure among the districts of the State. The application of the proposed cost of education index would widen, not narrow, these discrepancies. Surely, the sum of over $300,000,000 should be spent to equalize educational opportunity, not to disequalize it.

A study was made of the use of a formula based on public employee salaries by county. It has the weaknesses in methodology contained in the Education Center index. Both, of course, do not respond to the urban cost overburden cited by the Courts. They assume that costs are the same in cities and suburbs.

The cost of this index would be the staggering sum of $1,250,000,000. And this enormous sum would go in very major part to districts which are above average in wealth, not to the poor districts.

The result would be a widening of the gap in educational wealth and expenditure so great that any hope of reasonable equalization would be doomed.

The reluctant conclusion must therefore be that diligent research has been unable to produce a cost of education index which would not violate the decree of the Courts that wealth-related expenditure gaps be narrowed. A constitutional deficiency, defined by the Court, would be aggravated, not narrowed, by undertaking a cost of education adjustment within the state aid formula.

Perhaps the state of the art will be developed in the future so that a cost of education index can be constructed which will not thwart the effort to reduce the wealth-related expenditure gaps among the school districts of the State.

Until then the conclusion of three researchers at the State University in Albany is valid:

"In short, the policy of adopting a cost index in an operating aid formula may reimburse the high cost of education for some districts. However, it has negative impact on the equity of per pupil education expenditure. Solving one problem exacerbates another."

MUNICIPAL OVERBURDEN

Statement of Mr. Rubin:

The problem of municipal overburden is relevant in the consideration of a State Aid To Education Formula.

Justice Lazer correctly identified the conditions which afflict central cities - "high concentrations of the poor and elderly, large numbers of public assistance and public health recipients, high unemployment and low educational attainment, high crime rates, professional rather than volunteer fire departments, costly correctional facilities, mass transit problems, higher park and recreation expenses, subsidization of public housing, higher construction costs for new schools, deterioration of infrastructure, plus a myriad of other non-educational costs mandated by State law in connection with city employees, such as the 'heart bill,' which was extended by the 1981 Legislature."

He was equally correct in concluding that these conditions are inexorable.

The Task Force recognized the seriousness of this issue and retained Professors Jerry Miner and Seymour Sacks of the Maxwell School of Citizenship and Public Affairs, Syracuse University, to undertake a study and research analysis of the problem. Their work is unprecedented in thoroughness and objectivity. The Task Force has received extensive reports from them.

They related the prevalence of high non-school tax rates to seven characteristics of school districts: number of aided dependent children per 1,000 population; property density per square mile; percentage of residential dwelling units occupied by owners; percent change in population; non-whites as percentage of total population; population density per square mile.

Based on the association of these characteristics with high non-school tax rates, they identified 34 of the city districts in this State and 55 non-city districts as overburdened.

Obviously, this is quite different from identifying only the four or five largest urban areas as overburdened. Their research did not disclose a systematic relationship between higher non-educational tax burdens and a lowered tax effort or allowance for education. Those communities with high non-education tax burdens also had higher than average burdens for education.

The Board of Education of New York City and the United Federation of Teachers engaged Mr. Joel Berke and his associates, also to examine this problem. He identified five factors as associated with overburden: high total tax rate (including school and non-school); high non-school to school revenue ratio; high population; high population density; high proportion of poverty population. As a result, in addition to the Big Five (New York City, Buffalo, Rochester, Syracuse and Yonkers), he identified six other districts which met all five criteria: Albany, Binghamton, Jamestown, Niagara Falls, Poughkeepsie and Utica.

The consequences of poverty and slum areas are many: a high crime rate necessitates a large police force; a great incidence of fires requires a costly fire department; slum conditions need disproportionately high sanitation service. Additionally, the school children coming out of such areas require additional and special educational services to overcome the disadvantages which are undoubted.

The educational consequence of these socio-economic conditions is the creation of special educational needs. The consequence and educational needs can and should be met in an aid to education formula.

However, what an aid to education formula cannot do is undertake to address the other consequences of the factors that comprise municipal overburden.

If the "heart bill" is unjust to New York City, it should be repealed - it cannot be met by a provision for aid to education. The mass transit problems of New York City cannot be addressed by funds to education. What an education formula must properly consider is the adequacy of State aid for the transportation of pupils - it cannot cope with the mass transit problems of millions of adults. An aid to education formula cannot be expected to address all the social and economic problems of a community. Its task is to address the educational consequences of such problems.

The conditions enumerated by the Court are indeed inexorable, but the measures taken to cope with such conditions are volitional. Health care in New York City is an inexorable burden, but how many city hospitals are to be maintained is a volitional judgment made by the city government. The high crime rate is undoubted, but whether 1,000 or 3,000 additional policemen should be hired is within the discretion of the municipal government. The same observation obtains with respect to all of the other inexorable conditions.

State aid for education should not be based on volitional decisions by local authorities to meet local social or economic problems.

It does not matter whether the attempt to meet these conditions is direct or indirect - based on the drain on city revenues by these non-educational needs.

An aid to education formula which purports to take into account the non-educational drain upon New York City's resources but which totally disregards any change in such drain is clearly unsound. If the State of New York should assume a portion of New York City's Medicaid and welfare costs, this surely would relieve the City of a major drain on its revenues. If the municipal government used this major saving to strengthen its police and fire and sanitation services (as the present City administration has promised to try to do), under no formula suggested by Mr. Berke or anyone else would municipal overburden aid be affected.

Stated otherwise, if major welfare or Medicaid costs are eliminated, surely this would substantially relieve "municipal overburden" drain. Yet, as stated, no formula has been suggested which would respond by reducing the drain of this municipal overburden.

If the city government chose instead to use this large saving to reduce municipal taxes, certainly a reduction in taxes would not make more money available for the public schools.

Because of inability to measure municipal overburden, some have sought to use density or poverty or some other individual element as a measurement. But there is no statistical basis whatever for this substitution of measurement. Others have attempted to overcome the inability to measure municipal overburden by suggesting a per capita instead of per pupil denominator in assessing fiscal capacity. But this attempt is based upon the unsupportable assumption that communities of identical population size have identical socio-economic problems producing identical educational needs.

If responsible research concludes that the elements which constitute the basic of municipal overburden apply to many school districts, we dare not recommend that state school aid be given to only a selected few of these burdened districts. We may not recommend such aid to only the four districts because they intervened in the Levittown case. Equal treatment must be provided to all affected districts. Not only would such a discriminatory recommendation be inequitable, but the inevitable result would be immediate and successful suit by all other affected districts for equal treatment.

An effort has been made to restrict this overburden aid to the Big Five on the ground that they are the only "fiscally dependent" school districts in the State. This is an irrelevant factor. The taxpayers in these five districts pay one tax, fixed by elected representatives, for many services, including the public schools. The taxpayers in a village pay a tax, fixed by elected representatives, for some services, and they pay a town and county tax for other services, which tax is likewise fixed by elected representatives. Granted that the school tax is one over which the taxpayer has a partial veto (an austerity budget will in any event be in effect), this fact surely cannot distinguish one school district from another with respect to municipal overburden.

The irrelevancy of this factor is demonstrated by Mr. Berke's finding that municipal overburden be aided in the eleven cities he identified. But six of these eleven districts are "fiscally independent." Indeed, a new Conference of Eleven Large City School Districts has been organized. It is clear that fiscal dependence or independence has nothing whatever to do with municipal overburden.

There is a basic difference between the role of the State government and that of this Task Force. The State government can address whatever problems it chooses to meet and on whatever basis it decides. On November 9, 1981, the State enacted a law giving additional aid to a number of cities, villages, towns and counties. It has provided aid to cities affected by the Hurd decision. But it is our responsibility as a Task Force to advise in the design of a state education aid formula.

Equity demands that unequal needs be unequally met. We are properly concerned with the educational needs of the school children affected by the conditions which Justice Lazer so well described. We can address those educational needs. We can do so by providing for adequate weightings which will be incorporated in the calculation of fiscal capacity and in the distribution of aid. Those weightings will take into account all of the educational consequences of "municipal overburden" conditions. We are recommending additional weightings to meet special needs based upon research done by the State Education Department.

If these weightings prove insufficient to meet all of the special education needs of the children in the "municipally overburdened" districts, they should be increased. The matter of adequate weightings should be under continuous study by the State Education Department. It is the responsibility of the local school administrations and of the State Education Department to see to it that extra programs and services are in fact provided to these children out of the extra funds which weighting distributes.

This is the proper response to municipal overburden.

One final comment. It would be a mistake for an aid to education formula to attempt to cope with non-education problems. To the general public, and therefore its elected officials, the problems of police and fire and sanitation appear more important than aid to the public schools. If attempted cures for ills unrelated to education are placed in an aid to education program, ultimately education funding will be the loser against these other governmental services.

RURAL OVERBURDEN

Statement of Corinne W. Stork

A rural overburden adjustment should include sparsity regardless of the population size of the district.

Due to isolation, lack of mass transit and long distances from cultural centers; the rural child is disadvantaged in regards to the arts (theatre, dance, music, museums, etc.).

SUMMARY OF VOTES: OVERBURDENS

The chart on the next page presents member votes on the four issues of overburdens. Each of the recommendations previously discussed carries a letter code which corresponds with the voting chart.

Tally Totals

1. Municipal Overburden, General: A. 16, D. 14, C. 1.
2. Municipal Overburden, Qualifying Districts: A. 18.
3. Cost Factors: C. 17, B. 9, A. 4.
4. Rural Overburden: A. 24, B. 8.

SUMMARY OF VOTES

IV. OVERBURDENS

Task Force Member	1 Municipal Overburden, General	2 Municipal Overburden, Qualifying Districts	3 Cost Factors	4 Rural Overburden
Rubin, Max J.	D		B	B
Schuler, Raymond T.	D		B	A
Amlung, Susan	A	A	C	A
Barell, Martin C.	D		C	A
Barr, William S.	D		C	A
Best, Wyoma I.	A	A	A	A
Breen, Monsignor Vincent D.	A	A	C	A
Corbett, Raymond R.	A	A	C	A
DelBello, Alfred B.	D		B	B
Dukes, Hazel	A	A	A	A
Dullea, Henrik N.	C	A	B	A
Freedman, Irving H.	D		B	A
Genrich, Willard A. (absent)				
Gerber, George				
Gray, Edward F.	A	A	C	A
Griffin, James	A	A	C	A
Hannon, John W., Jr.	A	A	C	A
Hobart, Thomas Y., Jr.	A	A	C	A
Klein, John V. N.	D		C	B
Lawton, C. Mark	D		B	B
Macchiarola, Frank J.	A	A	C	A
Manch, Joseph	A	A	C	A
McGuire, Richard	D		A	A
Miller, Howard F.	D		B	B
Murphy, Edward J.	D		C	B
Reynolds, Milton L.	D	A		B
Robisch, Edwin J.	A	A	C	A
Samter, Eugene C.	A	A	C	A
Schiff, Dr. Alvin I.	A	A	C	A
Shanker, Albert	A	A	C	A
Stork, Corinne W.	D		B	A
Thompson, Eris	D		B	A,B
Torres, Magdalena	A	A	A	A
Viscardi, Henry, Jr. (absent)				